Austria	[illegible]	Indonesia	[illegible]	Oman	[illegible]
Bahrain	[illegible]	Iran	[illegible]	Philippines	[illegible]
Belgium	[illegible]	Israel	[illegible]	Portugal	[illegible]
Cyprus	[illegible]	Italy	[illegible]	Qatar	[illegible]
Denmark	[illegible]	Jordan	[illegible]	S.Arabia	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	Singapore	[illegible]
Finland	[illegible]	Lebanon	[illegible]	Spain	[illegible]
France	FFr7.00	Lux	LFr59	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr180	Morocco	Dh6.00	Thailand	[illegible]
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.850
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1200
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,974 Tuesday October 17 1989 D 8523A

UK ADVERTISING

Decade of success takes its toll

Page 18

World News

East Germans stage protest on the streets of Leipzig

Thousands of East Germans marched through Leipzig chanting "We are the People" in the largest anti-government demonstration yet seen. First reports put the crowd number at up to 100,000 people. Page 20

Soviet reform

Soviet Communist Party commission called for an end to *the nomenklatura system* which dictates appointment of almost all key officials in the economy. Page 20

Chinese enclave

Governor Ye Xuanping of China's Guangdong province said he would not implement harsh new political and economic policies proposed by Peking. Guangdong is the only province where economic growth outstrips inflation. Page 20

Norwegian cabinet

Jan Syse, Norway's right-wing Prime Minister, named a new cross-party cabinet. Page 3

Pozsgay setback

Imre Pozsgay, Hungarian Communist Party reformer, saw his hopes for the presidency setback by the announcement two more candidates would enter the race. Page 3

Green conference

A 35-nation environmental conference opened with calls from East and West to join forces to tackle pollution. Page 3

Israeli protest

Israel protested to Bonn after West Germany forged relations with the Palestinian Liberation Organisation. Page 3.

Business Summary

Trump drops $7.1bn bid for airline

Donald Trump, New York-based businessman, dropped his tentative $7.1bn offer for American Airlines in the first big casualty of Friday's stock market collapse. Page 22

AIRBUS Industrie, the European aircraft consortium, has decided to turn to commercial markets to fund an aircraft programme. Page 20

SUPREME Soviet imposed new controls on co-operative businesses — Soviet Union's private sector — in a bid to appease discontent at rising prices. Page 20

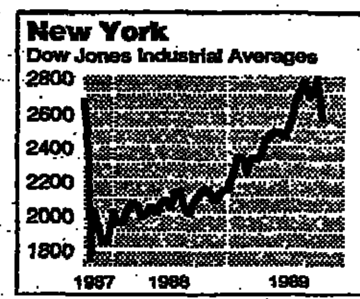
PEMBRIDGE Investment, Roland Franklin's Bermuda-based vehicle, increased its share of DRG, UK paper and packaging group, to 29.9 per cent. Page 23

US Federal spending cuts of $16.1bn were set to come into effect despite a Bush-Congress dispute over capital gains tax and fiscal policy. Page 20

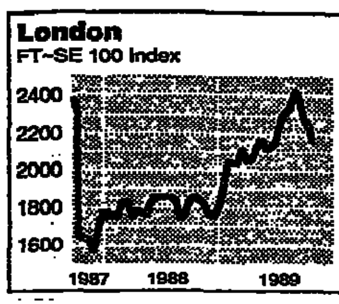
EUROPEAN Community transport ministers failed to agree on cabotage, underlining obstacles in the way of a single market in road haulage. Page 2

BAT Industries, tobacco-based conglomerate under threat from Sir James Goldsmith's Hoylake consortium, saw shares close down 60p at 758p. Page 23

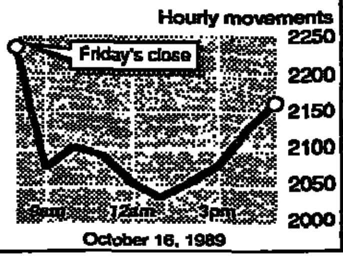
BRITISH Airways, UK flag carrier, conceded the $6.8bn management-led bid for UAL, parent company of United Airlines, US carrier, is dead in its present form. Page 21

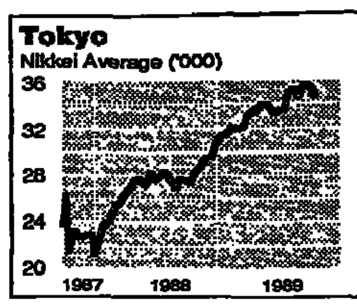


The Dow Jones Industrial Average rebounded by mid-session after early fears of a repeat of 1987. By 2pm, it was 37.71 higher at 2,606.97, after falling 60 points in the morning. Volume on the NYSE was 313m shares by mid-session, having rarely been above 200m since the crash.



London stocks ended with a loss of 70.5 points, or 3.15 per cent on the FT-SE Index to 2,163.4, Earlier, the index was more than 200 down but rallied in active trading under the influence of Wall Street. Leveraged buyout stocks were hard hit. Volume jumped to 959.3m shares, against 460.1 on Friday.





Tokyo enjoyed one of the world's most modest falls as the Nikkei average lost 647.33 points, or 1.8 per cent, to 34,468.69. Turnover was subdued at 526m shares, slightly below Friday's level of 575m. The mood was one of caution as investors waited to see whether Wall Street would recover quickly.

Markets draw back from abyss

By Peter Norman and Simon Holberton in London and Janet Bush in New York

WORLD STOCK MARKETS yesterday peered into the abyss and pulled back.

After a day of wildly gyrating equity, bond and foreign currency trading, share prices in London staged an impressive rally which made up about two-thirds of an earlier 204.2-point loss on the FT-SE 100 Share Index. It finally closed 70.5 lower at 2,163.4.

London equities took their cue from Wall Street where yesterday the Dow Jones Industrial Average was showing a smart recovery both from Friday's 190-point decline and from a sharp fall in share prices in early trading.

By early afternoon in New York, the Dow Jones Industrial average of blue chip stocks was quoted more than 60 points higher at 2,631.15. In contrast, stocks traded on the Nasdaq over-the-counter market and listed on the American Stock Exchange were sharply lower, having escaped the worst of the selling on Friday.

The trading day began on a deceptively optimistic note in the Far East where the Japanese stock market fell a modest 1.87 per cent. However adverse price movements in Sydney and New Zealand presaged steep falls throughout London and continental Europe until New York opened.

The positive impact of Wall Street's recovery came too late to boost continental equity markets. Bourses in West Germany, France and Italy all closed sharply lower, with trading in effect suspended in many stocks.

The rebound on the US and British markets reflected no concerted action by the world's monetary authorities, although central bankers and regulators from the Group of Seven leading industrial countries stayed in touch by telephone over the day. They monitored developments and discussed contingency plans in case of yesterday's stock market weakness threatening the world's financial system.

In the event, a series of reassuring statements from leading finance ministers and central bankers combined with Wall Street's recovery to strengthen investor confidence.

Mr Nigel Lawson, UK Chancellor of the Exchequer, said it was not surprising that there had been large declines in equity prices around the world following last Friday's Wall Street plunge, but downplayed fears of recession.

Recalling the global stock market crash of October 1987, he said: "As the events of 1987 demonstrated, there is no need for sharp fluctuations in the stock market to have significant effects on the real economy."

Mr Helmut Haussmann, West German Economics Minister, said he expected the stock market would stabilise "relatively quickly" because the economies of West Germany and the European Community were strong.

In Washington, President George Bush said he was not worried by the last Friday's steep decline on Wall Street, noting that various government agencies were monitoring the situation.

Yesterday, Mr Alan Greenspan, the Fed chairman, said the US central bank had close, productive contacts with other members of the G7.

However, it emerged yesterday that European monetary authorities were less willing than the US to take emergency action, because of their concern about inflation.

British Treasury officials said that as long as the stock market fall had no effect on the economy then there was no reason to relax Britain's tight monetary policy and base rates of 15 per cent.

Continued on Page 20

Ripples spread around the world

By Alison Maitland in London

FALLS in share market indices of up to 10 per cent were widespread thoughout Europe and Asia yesterday, but West Germany stood out as the worst-hit market with a drop of 13 per cent.

The FAZ midsession index and the closing DAX index suffered equal falls – far worse than the market's 9 per cent drop on October 19 1987. Analysts and traders were baffled at the size of the losses. Prices in after-hours trading showed some sharp recoveries as Wall Street gained ground.

Paris finished about 6 per cent weaker, although there had been virtually no trading in the morning as many prices were suspended at their lower limit. Volume picked up sharply in the afternoon after Wall Street opened.

Zurich dropped 10 per cent, but there were signs that Swiss institutions were bargain-hunting in the afternoon.

Milan lost nearly 8 per cent, with small investors proving to be the most active sellers.

Tokyo fell only 1.8 per cent, but other Asia Pacific exchanges reacted far more strongly. The region saw a number of its markets falling in thin trading while others saw heavy selling.

Australia lost 8 per cent and New Zealand shed 8.5 per cent but both markets ended off their lows and trading was relatively thin.

By contrast, Hong Kong, where trading had been suspended for four days during the 1987 crash because of huge losses, shed a more modest 6.5 per cent yesterday in trading volume worth HK$2.24bn, the heaviest since the collapse in share prices in June after the Tiananmen Square massacre.

Singapore was one of the biggest losers in Asia, dropping 10 per cent in heavy selling.

Elsewhere, Johannesburg saw falls of nearly 10 per cent in diamond and mining financial stocks.

Calm on the floor, worries at the top

By Janet Bush in New York and Richard Waters in London

OUTSIDE the New York Stock Exchange, a pot-bellied, bearded American Dissident – according to his T-shirt – held up a large sign, exhorting brokers to JUMP.

"Remember to empty your pockets before you jump so that you don't jingle when you hit the street," he screamed, to giggles from groups of tourists.

He would have been as disappointed as the assembled camera crews in the packed press gallery to see what was actually going on.

When the opening bell jangled, there was no crescendo of noise, explicable perhaps because at that stage only eight stocks were open for trading after the enormous order imbalances left at the close on Friday.

Unlike the white-faced exhaustion displayed on Black Monday October 19 1987, floor traders walked around, chatting and back-slapping, but then they always assume a kind of cheery machismo, particularly when the television cameras are around.

The picture was much the same in London where, unlike their less phlegmatic colleagues in Paris, Sydney and the Chicago Mercantile Exchange where one discount futures broker changed his shirt after only an hour of fevered trading, no one was standing on the desk shouting, abusing telephones, talking into three handsets at a time or leaving them to ring.


Anxious moments on the Paris stock exchange, where shares quickly hit their lower limit

For the phlegmatic men and women of Warburg's, one of the City of London's leading securities firms, this was just another market crash, and not an excuse for histrionics.

Other City houses may have hit higher decibel levels, but the picture was largely the same everywhere: for as the market yo-yoed to and from falls not seen since the 1987 crash, dealers refused to panic.

One Warburg executive summed the reason: "It's a more mature reaction this time around. Last time, people thought the world had stopped. This time they know it hasn't. You eat, you go to work (hopefully) and you carry on."

The perspiration index was no doubt at its highest in the board rooms of Wall Street yesterday. Floor brokers have a proven resilience, but their masters at the top of firms were worried people yesterday.

The global securities industry found itself once again looking down the barrel of a loaded gun. While immediate losses will be lower than those suffered in the crash of 1987, the violent movements seen yesterday may once again drive investors from the market, sparking the now-familiar cycle of falling income, unsupportable overheads, redundancies.

Mr Jonathan Agnew, chief executive of London-based Kleinwort Benson, played down the immediate possibility of redundancies, pointing out that most firms have already cut back after the 1987 crash. However, he admitted that yesterday's events may help to "speed things up a bit."

In the US, Mr Laszlo Birinyi, formerly the leading equity analyst at Salomon Brothers, now running his own consultancy, said the latest market collapse may have more lasting impact on the securities business than the crash, noting that stock and bond trading has more or less been subsidised by the enormous fees generated from advising on takeovers and restructurings.

ON OTHER PAGES

Nervousness hits dollar and pound

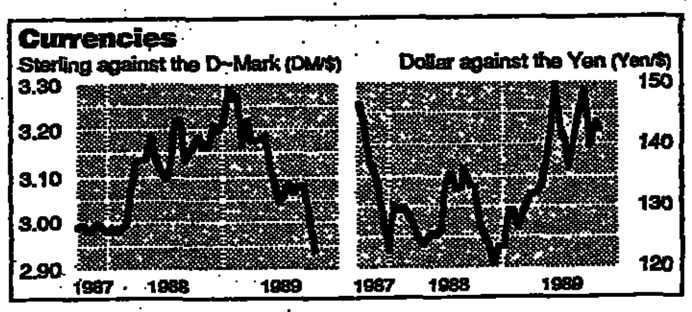
By Simon Holberton, Economics Staff, in London

BOTH the dollar and the pound were hit by yesterday's hectic trading on world markets. The US currency tracked the Dow Jones Industrial average amid nervous and volatile conditions in foreign exchange markets while sterling suffered from a general "flight to quality" by investors.

The US currency rose and fell with movements in the Wall Street index in an almost 4 pfennig range. At its weakest against the D-Mark, it revealed strains within the exchange rate mechanism of the European Monetary System and prompted renewed speculation about a realignment of EMS constituent currencies.

In London, the US unit ended at DM1.8650 compared with DM1.8910 on Friday and at Y141.85 compared with Y143.25. During the day it had reached highs of DM1.8750 and Y142.00.

The pound was hit despite Bank of England intervention early in the day. Foreign investors sold investments in UK securities and reinvested the proceeds in D-Mark bonds. Sterling lost 2 pfennigs to close at DM2.9375, but was 1 cent firmer against the dollar at $1.5750. On the Bank of England's trade-weighted index, sterling lost 0.3 to 89.0.



Before the opening of New York markets, the dollar traded down to around DM1.8390, but rose swiftly when, after a couple of hours trading, the Dow Jones index reversed a 60-point decline. In sympathy with the index the US currency rose by more than 2 pfennigs in minutes.

Analysts were unsure as to the likely future course of events. But with the Federal Reserve, the US central bank, lowering interest rates, many forecast a period of dollar weakness ahead. European central banks have shown little interest in easing monetary policy.

The gyrations in currency markets, however, highlighted difficulties within the EMS. The Bundesbank, West Germany's central bank has made no secret of its desire for a realignment of the EMS which would see an appreciation of the D-Mark and a devaluation of the other currencies within the system.

Both the French franc and the Danish krone were weak for much of yesterday against the D-Mark, but policymakers in both countries again stressed their resistance to a devaluation of their currencies.

Mr Jean-Claude Trichet, permanent secretary of the French Treasury, speaking in Tokyo, said that France aimed to maintain its parity with the D-Mark.

In Copenhagen, the Danish central bank confirmed comments attributed to Mr Erik Hoffmeyer, the bank's governor, over the weekend that he would raise interest rates if necessary to defend the krone. He said a realignment of the EMS would be unwelcome.

Agencies add: In Sydney, the Australian dollar fluctuated wildly during a hectic day's trading. The currency touched a low of $0.7560 in the morning before recovering in the afternoon. However, with dealers reporting heavy selling by one major bank, the Australian dollar fell back to eventually close at $0.7617, down from Friday's close of $0.7672.

In spite of the Australian dollar's resilience, currency analysts in Sydney warned that the poor outlook for the domestic economy was likely to undermine any chances of recovery in the local curency.

MARKETS

STERLING
New York lunchtime:
$1.5785
London:
$1.575 (1.584)
DM2.9375 (2.9575)
FFr9.9825 (10.0325)
SFr2.575 (2.5975)
Y229.5 (224)
£ Index 89.0 (89.3)

GOLD
New York: Comex Dec
$371.6
London:
$367 (363.25)

N SEA OIL (Argus)
Brent 15-day Nov
$19.475 (19.575)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.8645
FFr6.3350
SFr1.6325
Y141.35
London:
DM1.865 (1.891)
FFr6.3375 (6.415)
SFr1.635 (1.6615)
Y141.85 (143.25)
$ Index 69.8 (70.7)
Tokyo close: Y140.75

US LUNCHTIME RATES
Fed Funds $8\frac{3}{4}$%
3-mo Treasury Bills: yield: 7.587%
Long Bond: $101\frac{11}{32}$
yield: 7.969%

STOCK INDICES
FT-SE 100:
2,163.4 (-70.5)
FT Ordinary:
1,780.3 (-54.7)
FT-A All-Share:
1,078.89 (-4.%)
New York lunchtime:
DJ Ind. Av.
2,611.27 (+42.01)
S&P Comp
335.75 (+2.09)
Tokyo: Nikkei
34,468.69 (-647.33)

LONDON MONEY
3-month interbank:
closing $14\frac{13}{16}$% ($15\frac{1}{4}$)
Life long gilt future:
Dec $92\frac{15}{16}$ ($91\frac{23}{32}$)

MARKET REPORTS: CURRENCIES, Page 48; BONDS, Pages 24,25; COMMODITIES, Page 40; EQUITIES, Page 41 (London), 52 (World)

CONTENTS

Peking tests resolve of Hong Kong political leaders

A row with China over illegal immigrants has confirmed Hong Kong's worst fears. The colony is talking of ways to "sit it out and survive" until Peking's leadership struggle is over, which may not be before Deng Xiaoping dies
Page 5

EC road haulage proposal comes to halt in a lay-by

By Tim Dickson in Luxembourg

THE OBSTACLES which lie in the way of a genuinely single market in road haulage were illustrated yesterday when European Community transport ministers failed to reach agreement on the sensitive subject of cabotage.

The Community's French presidency promised to put a more radical set of liberalisation proposals back on the table after Britain, Belgium and the Netherlands dismissed as insufficiently bold the latest ideas from Paris on freeing up the sector.

Cabotage, the practice of allowing a foreign haulier to operate as though it were providing a domestic service, is widely thought to be an essential ingredient if many of the promised economic benefits of the 1992 programme are to materialise.

At the moment it is banned throughout the EC for road haulage, though Britain allows cabotage in shipping. The consequence is that many of the lorries criss-crossing the Community are empty on their return journey, including the equivalent of an estimated 30 per cent at the Dutch/West German border.

The fact that yesterday's discussion took place over lunch did not make it any more palatable for Mr Michel Delebarre, the French Transport Minister and current president of the EC Transport Council.

With such a large and vulnerable home market, France is among those countries most opposed to any wide-ranging liberalisation of the current regime, at least in the short term.

Earlier this month the French Government put forward an interim plan which would involve hauliers in each country being given a restricted number of cabotage permits, valid in a specific member state for up to one month.

This idea of having a series of bilateral cabotage quotas is significantly less liberal than a previous plan for Community-wide licences put forward by the previous Spanish presidency and almost agreed at an EC transport meeting in the summer.

Mr Cecil Parkinson, the British Transport Minister, was among those who yesterday called for more rapid progress, and urged that any cabotage proposals should be "as unbureaucratic and flexible as possible."

Mr Delebarre, meanwhile, appears to have taken the point, promising to put the more radical Spanish compromise back on the table along with a "modified" French alternative.

● The Transport Council last night agreed a directive which aims to cut the noise levels of certain older aircraft.

The measure effectively bans Community airlines from buying so called *Chapter 2* aircraft from non-EC carriers, though they can continue to trade them inside the Community and to fly into the EC.

Diplomats said last night that the effect of the directive, which provides a number of exemptions, will be limited. But they say it could presage an ultimate ban on these aircraft types.

Warsaw gives fillip to sale of Lenin shipyard

By John Lloyd

THE PRIVATISATION of the Gdansk Lenin shipyard, Poland's biggest shipbuilding centre and the birthplace of Solidarity, has been given a fillip by the Solidarity-dominated Government of Mr Tadeusz Mazowiecki.

Mr Janek Jaroszewicz, managing director of Durainsul, the Anglo-Polish company which has rented the K2 yard within the Lenin complex, said yesterday the Polish state shipping line had ordered seven bulk carriers worth around \$100m.

Negotiations on the yard's future had proceeded well, he said, and talks between Durainsul and Solidarity in the yard "had convinced the union that we were not out to get rid of them". He said that up to 800 workers would be directly employed on the new contract.

The overall fate of the shipyard, of which K2 is a part, will be decided by negotiations currently in train between Mrs Basia Piasecka-Johnson, the Polish-born US businesswoman, and the yard management and Polish Government.

Mrs Piasecka-Johnson, who first conceived the idea of taking over the complex in May after meeting Mr Lech Walesa, Solidarity's leader, at a religious procession in Silesia, has emerged not just as the first potential large-scale purchaser of a state-owned enterprise but as a powerful advocate of Western investment in her native country.

She is due to address the European Parliament on October 25 about her plans for the yard, and about the responsibility of the West to help Poland make the transition to a market economy.

Mr James Whisenand, a Miami-based legal adviser to Mrs Piasecka-Johnson, said yesterday that the talks with the management and officials were proceeding on schedule, and that a deal could be closed by the end of this year or the beginning of next. He said he was satisfied that substantial orders would be forthcoming for the yard, one of the largest remaining in Europe.

However, the relationship between Mrs Piasecka-Johnson's project and Durainsul has yet to be finalised – though Mr Jaroszewicz said he believed she would honour the contracts which his company had concluded with the shipyard earlier this year.

Neither Durainsul, which at present offers ancillary services to shipbuilding yards, nor Mrs Piasecka-Johnson, have experience in large ship construction, though the former has as a partner Mr Jerzy Piskorz-Nalecki, ex-chief designer of the Szczecin shipyard, and Mrs Piasecka-Johnson has been a director of a specialised submersibles construction yard in Florida.

The successful privatisation of the Lenin yard is seen within Poland as a symbol of the new Government's intentions – the more so since the previous Government of Mr Mieczyslaw Rakowski announced the yard's closure.

Mrs Piasecka-Johnson, an immensely wealthy, commercially experienced, but publicly retiring, woman, has taken on the status of a saviour: Solidarity members in the yard refused to join in a regional strike call in the summer on the grounds that she would be distressed if they had done so.

HAUSSMANN SEES STRONGER ECONOMIC LINKS WITH EAST BLOC

WEST GERMANY'S Economics Minister, Mr Helmut Haussmann, yesterday took the Soviet Union to task for the lack of an "overall concept" in economic reform. He called on Moscow to show "courage" to adopt more active policies, writes David Marsh in Bonn.

But Mr Haussmann, speaking at a symposium in Schleswig Holstein on East-West economic co-operation, voiced general optimism about the chances of greater economic links between the West and reformist states in the East bloc.

Mr Haussmann stressed scepticism about global credit efforts to help countries like Poland and Hungary. Voicing strong doubts about suggestions for Marshall fund-type aid for the East – an idea repeated last week by Mr Hans-Jochen Vogel, the leader of the opposition Social Democrats – Mr Haussmann said: "The West can help only indirectly, by helping (the countries concerned) to help themselves."

He underlined the need for solid market-orientated reforms in the Soviet Union, Poland and Hungary. The Soviet need was greatest, he said, pointing to the contradictions in the Soviet system between "new ideas and old thinking." Mr Haussmann said that "half hearted temporary measures in the Soviet Union are certainly not enough."

His remarks came as Deutsche Bank, West Germany's largest, announced plans to support economic reforms in Poland and Hungary by establishing a banking presence there. It said it had become the first West German bank to receive permission for a representative office in Budapest. It planned one soon in Warsaw.

Greens to take court action over Galileo

By David Goodhart in Bonn

THE West German Green Party is joining the Florida Coalition for Peace, a US lobby group, in a court action against the Galileo Mission to Jupiter, due to be launched today, on grounds that it is an infringement of the 1967 Outer Space Treaty.

The court action, formally against US President George Bush, is designed to highlight the fact that the Galileo Mission is carrying 50 pounds of plutonium. Opponents of the project maintain that in the event of a Challenger-type accident, radioactivity could be spread over a wide area, with effects similar to the Chernobyl disaster.

The Greens also say they are worried that life forms – should they exist on Jupiter – could be contaminated by the plutonium and by the unsterilised probe which will be dropped into the planet's atmosphere.

The Greens' application to intervene in the case states that they are pursuing with their (West German) government an approach to the World Court to seek a ruling that all signatories to the Outer Space Treaty are forbidden from launching radioactive material into space.

The application says that permitting the launch would "constitute a violation of Article IX of the Outer Space Treaty, in that harmful contamination will be introduced by the Galileo probe into the environment of Jupiter."

Unesco meets to review reformed work programme

By Ian Davidson in Paris

THE FUTURE of Unesco, the United Nations Educational, Scientific and Cultural Organisation, will hang in the balance during the month-long meeting of the organisation's 25th General Conference of the member states which opens in Paris today.

Central item on the agenda will be the proposals for a reformed work programme for the next six years, 1990-1995, which have been put forward by the Spanish director General, Mr Federico Mayor.

Indirectly at stake, is the question whether the United States, Britain and Singapore can be persuaded to resume their membership of the United Nations' primary cultural organisation.

The three countries left Unesco in 1984-85 in protest at what they saw as the poor management of the then director general Mr Amadou M'Bow, and the polemical slant of Unesco rhetoric against the developed countries.

The medium-term programme put forward by Mr Mayor, who replaced Mr M'Bow two years ago, includes a significant dose of decentralisation, in contrast with the heavily centralised management under Mr M'Bow; firm budgetary discipline, in contrast with previous budgetary growth; and a reduction in the politicisation of cultural issues, notably a departure from Mr M'Bow's prosecution of what was called the New Information Order, a code-term for a campaign against the Western media.

One symptom of the lower polemical level of Unesco under the new management, is that Mr Mayor has publicly said that he hopes the general conference will steer clear of a debate on whether the Palestine Liberation Organisation should be admitted to the organisation, since this is not within Unesco's competence.

These changes have been warmly welcomed by an international panel commissioned by the United Nations Association of the US to assess the current state of Unesco; and the American members of the panel, in a separate report, have urged that the US should rejoin Unesco in 1990 if the General Conference endorses Mr Mayor's programme.

Wallenberg relatives get effects he carried in 1945

By a Correspondent in Moscow

"IT WAS very, very emotional to see his photograph, his handwriting again after almost 45 years."

Ms Nina Lagergren, the sister of Raoul Wallenberg, was speaking to reporters yesterday after a visit to KGB headquarters along with the Swedish war hero's half-brother, Mr Guy von Dardel, and close friend, Mr Per Anger.

The trio, in Moscow at the authorities' invitation, were handed the few possessions – passport, notebooks, money – that Wallenberg was carrying on the day in 1945 when he disappeared in Budapest, where he had saved tens of thousands of Jews from Nazi death camps.

Ms Lagergren is adamant that her brother is still alive, despite Soviet assertions – repeated yesterday by Mr Gennady Gerasimov, the Foreign Ministry spokesman – that he died in Soviet custody in 1947.

The visitors yesterday firmly rejected the authenticity of a purported letter from a prison doctor certifying that Wallenberg died of a heart attack in Moscow's Lubyanka prison.

Newspaper articles and a Soviet television programme have led to reported sightings in labour camps that have convinced the family that Wallenberg was alive at least well into the 1980s. The visitors yesterday handed the KGB a list of the most convincing reports, and were told these would be investigated.

World leadership in financial services 'within grasp of EC'

By Richard Lambert

THE EUROPEAN Community had a unique opportunity to grasp world leadership in the financial services sector, Sir Leon Brittan, vice president of the European Commission, said in London yesterday. But he made it clear that a number of difficult challenges had to be overcome before that goal could be achieved.

Sir Leon was speaking on the first day of a conference on "Re-regulating Europe's financial sector," organised by the Financial Times in association with Deloitte Europe. A recurring theme was the problem of establishing a directive covering the capital adequacy of investment firms, and the conflicts which exist in this area between the universal banks and non-bank investment firms.

The Commission's objective was to establish a capital regime for securities business which gave neither type of investment institution a competitive advantage, Sir Leon said. It was also important that they should not have to reverse their existing practices in order to comply with directives.

Universal banks, most notably in West Germany, operated their securities business alongside their commercial banking activities, and tended to regard credit risk as the main element in prudential supervision. For other securities firms, by contrast, market or position risk was the most important element, which led to more complicated and flexible definitions of capital.

Sir Leon said that risks in banking were not the same as in the securities business, and regulation would have to take this into account. Although it might not be possible to build a system which led to a precisely equal capital regime for the different types of institutions, some kind of "broad equivalence" could be achieved.

Giving more details of Brussels' current thinking, Mr José Fombellida, Head of Division, Stock Exchanges and Securities at the European Commission's DG XV, said the Commission had not yet made any proposals for a capital adequacy directive on investment services. "Our minds are open, though not empty," he said. "The dialogue with member states continues."

He listed a number of areas in which there was what he called "a certain consensus" among member states:

● Limits on banks' market risk might be a useful option, at least for the short term.

● In the case of banks, the directive should cover not just the trading book but the investment portfolio.

● Investment firms should face similar credit risk requirements as banks.

● The list of instruments included in the scope of the directive should be extended.

● The directive should make provision for risk concentration.

FT CONFERENCE

RE-REGULATING EUROPE'S FINANCIAL SECTOR

● Allowance should be made for the full use of hedging techniques to reduce risk on instruments of all kinds.

Mr Fombellida said that to meet its timetable, the Commission would have to present the directive for adoption early next year. Several more meetings were scheduled for the next few months.

Reflecting the investment banks' concern on this issue, Mr Costas Michaelides, chief financial officer and managing director, Merrill Lynch Europe, said there was concern that the minimum standards contemplated in the directive would not reflect empirically proven risk offsetting from holding related assets and liabilities, or risk offsetting through hedging. He warned of the dangers of "regulatory overkill", which he defined as "a system founded on rules that can bar entry and drive otherwise fit financial intermediaries to the wall."

Putting the other side of the argument, Dr Klaus Kohler, deputy general counsel and senior vice president of Deutsche Bank, said that the universal banks were greatly concerned by a tendency towards a regulatory approach based on the transaction of commercial and investment banking within the same group, but in separate legal entities.

As an example of what he meant, Dr Kohler cited the draft for a second banking consolidation directive, which he said could impose stricter capital requirements on universal banks which carried out securities activities within the parent bank. The universal banks would be placed at an essential competitive disadvantage if non-consolidation of securities subsidiaries were permitted under the second banking consolidation directive," he said.

However Deutsche Bank would continue to expand aggressively across Europe. Dr Kohler said that in counties such as France and the UK "we are searching the market for a bank we can purchase at the right price and which fits into our strategy. Via the new European subsidiaries, we now want to reach the medium sized and even small companies as well as private customers in the member countries of the EC."

Warning of the dangers of over-regulation, Sir Nicholas Goodison, chairman of the TSB Group, said that within a broad framework of prudential supervision, market forces must be allowed to operate.

"Our recent painful experience with the introduction of the Financial Services Act shows that detailed and excess regulation is both expensive and ineffective," he said. "Disclosure of the material facts should be obligatory. Detailed specification of products and of the means of delivery should be avoided."

Other speakers at the conference were Mr Jean Varda, executive vice president and general manager, Crédit Industriel et Commercial de Paris; Professor Richard Dale of Southampton University; Mr Christopher Cruickshank, administrator, Stock Exchanges and Securities at the European Commission's DG XV; and Mr Graham Ross Russell, chairman of Laurence Prust Holdings and a council member of the International Stock Exchange.

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EUROPEAN NEWS

Bonn talks with PLO upset the Israelis

By David Marsh in Bonn

ISRAEL YESTERDAY protested to the Bonn Government after West Germany crossed a landmark in its Middle East policies by forging relations with the Palestinian Liberation Organisation.

Mr Juergen Sudhoff, State Secretary in the Bonn Foreign Ministry, yesterday held talks here with Mr Bassam Abu Sharif, an adviser to PLO leader Yassir Arafat. This broke with Bonn's long tradition of having nothing to do with the PLO out of respect for Israel's feelings.

The Israeli embassy issued a statement saying, "We deeply regret that the Foreign Ministry considers it right to receive a high-ranking representative of a terrorist organisation." It added that contact with the PLO was likely to damage considerably chances of peace in the Middle East.

Yesterday's talks with Abu Sharif follow earlier contacts between Bonn and the PLO in July, when Mr Sudhoff met the organisation's representative in the West German capital. This meeting was already sharply criticised by Israel's ambassador to Bonn, Mr Benjamin Navon.

The West German Government's bridge-building with the PLO is part of an effort to follow a more even-handed Middle East policy after 40 years of cementing a special relationship with Israel.

Draft agreement on Dutch coalition

Mr Ruud Lubbers, the Netherlands' caretaker Prime Minister, yesterday presented a draft coalition accord meant to pave the way for the country's first left-leaning Government in seven years, Reuter reports. The accord would limit defence spending, increase expenditure on welfare and the environment, and cut the VAT rate from 18.5 per cent to 17 per cent.

The draft follows weeks of negotiations between Mr Lubbers' Christian Democratic Party and the Labour Party after the inconclusive elections of September 6.

PRESIDENTIAL HOPEFUL: Mr Kalman Kulcsar, the Justice Minister, entered the lists over the weekend

More challengers line up for Hungarian presidency

By Judy Dempsey in Vienna

THE HOPES of Mr Imre Pozsgay, the most radical reformer in Hungary's leadership, for a smooth progress to the post of President suffered a setback at the weekend with the announcement that two more candidates would enter the race.

The Hungarian Democratic Forum (MDF), the largest of the independent political parties, said it would nominate Mr Lajos Fur at its national convention which opens in Budapest on Friday. Assuming the delegates accept the nomination, this will deny Mr Pozsgay a substantial block of votes from the MDF, which until recently had tacitly supported his candidature.

The second candidate is Mr Kalman Kulcsar, the Justice Minister and a member of the Communist-backed People's Patriotic Front, of which he was elected president at the weekend. He has been instrumental in radically reforming the country's legal system and in drawing up the new constitution.

It is still unclear if the small and radical Association of Free Democrats will field a candidate. At the moment, both they and FIDESZ, the independent youth movement, are trying to secure a postponement of the elections, due to be held on November 25, on the grounds that Parliament should nominate candidates for the presidency after the parliamentary elections which are due early next year.

Meanwhile, Mr Miklos Nemeth, the Prime Minister, who opens the parliamentary session today, plans to push through a wide package of measures, dealing with the future of the Communist party's property, the future status of the worker's guard, the armed wing of the Communist party, and how the President will be elected.

His goals will be hindered by the composition of the Parliament. More than 80 per cent of the deputies still belong to the Hungarian Socialist Workers (Communist) party, which was superseded last week by the newly-formed Hungarian Socialist Party (HSP). Many deputies, particularly the conservatives, have still to decide if they will join the HSP and if they will continue to support Mr Nemeth as Prime Minister.

Mr Nemeth and Mr Horn, the Foreign Minister, both now considered to represent the radical reform wing of the new HSP, lost considerable support at the congress, after they attempted to draw up a more radical founding document for the HSP, which, instead of carrying many conservatives, would isolate them. In the event, both ministers were forced to succumb to the moderate wing in the HSP.

Moscow makes its presence felt in Madrid

Peter Bruce casts a quizzical eye over the Soviet Union's grandiose new embassy

DURING THE Spanish Civil War in the late thirties, just being Russian in Republican Madrid was a guarantee of generous hospitality, respect and good wine. Then the Fascists won.

General Francisco Franco, the late dictator, broke off relations with Moscow and never fully restored them. The Soviet Union came back officially in 1977, but its presence since has been muted and shy. Madrid prays to Mammon now and not Marx. The Russians have found none of the old camaraderie of the war.

Clearly, what has been lacking is a presence more in tune with the times. Something vulgar. So now, on Velasquez, a trendy avenue that runs to the centre of town, Moscow is about to make probably its most gauche diplomatic statement ever in Western Europe.

This is the new Soviet embassy. It is big and faced with something that could be, but is not, white marble. It looks like a Stalinist mausoleum blended with the Alhambra palace in Granada, which is not surprising as it was designed by a Russian and a Spanish architect. The effect is alarming but not unpleasant and the building, almost complete, has already become a legend.

If Spanish newspaper and magazine reports are to be believed, the new embassy will be the biggest, grandest and most diabolically equipped Soviet mission in Western Europe. Western intelligence agencies have bought up expensive apartments around the new embassy, a Russian super-agent has found microphones hidden in bricks by the Spanish secret service, CESID, and the Soviets submitted false plans to the municipality to hide the 8km of tunnels they apparently plan to dig underneath when the Spanish workers leave the site in December.

"There are no tunnels," sighs Mr Vladimir Volkov, the Soviet spokesman in the dingy old embassy a few blocks away who reads the Spanish press for a living. "There's a parking garage underground. It is not the biggest embassy we have in Western Europe and the US embassy in Madrid is two or three times bigger."

Western diplomats in Madrid seem to be relaxed about the new Soviet threat on Velasquez. "Relations between Spain and the Soviet Union are very formally correct and totally devoid of substance," says an experienced former Spanish diplomat who remembers being assiduously courted by Russian colleagues in Europe soon after Franco died in 1975.

"It became embarrassing after a while, but I think they lost interest rather quickly," he says. "Our trade with the whole Soviet bloc is smaller than it is with Portugal."

"Besides," he says, "you have to remember how incompetent the Russians are." Building 8km of tunnels under Madrid would tax even the Spanish Government's ability to underinform its citizens.

Nevertheless, other Nato diplomats suggest the new embassy has been an important intelligence training exercise.

The Soviets are likely to be building a number of new embassies in the West – including one in London – in the next few years and a great game about how to penetrate them before they are built is in progress. In Madrid, almost everything that has been used to build the embassy so far has been passed through a metal detector. Even the bricks.

Apart from the brief years of friendship during the Civil War, the Soviets have very little reason anyway to trust the Spanish. It was Madrid's ambassador in St Petersburg, Fernando Gomez Contreras, who most forcefully intervened to try to save Tsar Nicholas and the Tsarina Alexandra in 1918. He was killed by Communists in Madrid at the start of the Civil War.

At about the same time, the late summer of 1936, the Republican Government in Madrid was busy emptying the vaults of the central bank to ship virtually all the nation's gold (500,000kg) off to Moscow for safekeeping.

Spain never saw the gold again. The receipt survived and when it was presented to the Soviet Union by the Franco Government, Moscow replied by presenting a bill for the aid it had sent the Republicans (then the legitimate Spanish authority) during the Civil War.

Perhaps building an $50m embassy and contributing to Madrid's property boom is one way of putting back what was taken out.

Spanish contractors have been making replicas of old items of Russian furniture for the building and the artist Ilya Glasonov, a long-time Kremlin favourite, has been commissioned to do a series of paintings and to supervise decoration.

He said it was unlikely that Mr Mikhail Gorbachev would be able to open the new building (plus tennis court and Olympic-sized pool) if, as expected, he visits Spain for the first time early next year. Spanish contractors finish their work on the site in December, he said, after which Soviet workers were expected to come and finish it

Centre-right cabinet named by Norway's new Prime Minister

By Karen Fossli in Oslo

MR JAN SYSE, Norway's new right-wing Prime Minister, yesterday named a cabinet that judiciously mixed nine members of his pro-European Conservative party with five each from the the Christian People's party and the anti-EC Centre party.

The three groups have temporarily set aside their differences over the European Community and other issues to form a centre-right Government which depends on tacit support from the resurgent far-right Progress party.

A shadow over the new Government has been cast by Progress's pointed refusal to guarantee it backing on every issue, raising questions about how long it can survive. However, Mr Syse expressed optimism that his administration would last out its four-year term. Leaving the palace in a light drizzle, he declared: "Rain means luck."

The inclusion of the Centrists virtually rules out any prospect of an early bid by Oslo for membership of the EC, and it could also complicate efforts to forge closer ties with the Twelve that fall short of full participation.

However, the pro-EC Conservatives have successfully insisted on taking the key Trade portfolio; this goes to Mrs Kaci K. Five, who is expected to speak for Norway within the European Free Trade Association (Efta).

The Finance Ministry also goes to a Conservative, Mr Arne Skauge. The Centre party, for its part, is thought unlikely to upset the delicate coalition at least in its early stages.

In the new administration, each of the three coalition party leaders is represented, with Mr Kjell Magne Bondevik, 42, of the Christian People's party, confirmed as the new Foreign Minister, and Mr Johan Jacobsen, 52, of the Centre party, named as the Minister of Municipalities.

Mr Per Ditlev-Simonsem, 57, a Conservative back-bencher, who is also a shipowner, has been appointed Minister of Defence, though he has limited experience that sector. Mr Eivind Reiten, 36, of the Centre party, has been named Minister of Oil and Energy. He has held the posts of Minister of Fisheries and Secretary of Finance in two earlier governments. More recently he has been a director with Norsk Hydro, Norway's largest publicly quoted company. Eight of the 19 appointments are women.

East-West call to tackle cross-border pollution

A 35-NATION environmental conference opened yesterday in Sofia with calls from East and West to join forces in tackling the spread of pollution across international borders, Reuter reports.

"We are absolutely convinced that we need international co-operation, especially with our neighbours in the East, because we are directly affected by their ecological progress or lack of it," said Mr Klaus Toepfer, West Germany's Environment Minister.

The three-week meeting is expected to focus on: pollution of international rivers and lakes; the handling of harmful chemicals; and limiting cross-border damage from industrial accidents. A parallel series of meetings for non-governmental organisations will also discuss environmental problems such as pollution of the Danube.

As the conference got under way, Mr Toepfer said he hoped for concrete agreement on controlling the spread of pollution by rivers flowing through more than one country.

"We're in the middle of Europe and we're directly affected by these trans-boundary emissions," he said. "However, we know that we are also sinners; we have a very substantial part of European industry, so we also have work to do at home."

OVERSEAS NEWS

Arafat rejects Baker Mid-East peace talks plan

By **Lamis Andoni** in Baghdad and **Andrew Gowers** in London

FALTERING efforts to arrange a meeting between Israel and a delegation of Palestinians were dealt another blow yesterday when the leadership of the Palestine Liberation Organisation formally rejected a plan for talks put forward by Mr James Baker, US Secretary of State.

Mr Yassir Arafat, the PLO chairman, told a meeting of the organisation's 108-member Central Council in Baghdad yesterday that efforts to revive the Middle East peace process in the 11 months since the organisation launched its political initiative in Algiers had reached "deadlock".

Mr Arafat, who has become increasingly frustrated in recent months with Washington's low-key approach to Middle East mediation, asked the council – the PLO's interim policy-making body – to reject Mr Baker's plan "and any other proposal counter to the PLO's initiative." He also called again for an escalation of the 22-month-old Palestinian uprising or *intifada* in the Israeli-occupied West Bank and Gaza Strip.

The communique endorsing this position that was expected from the council last night seemed set to extinguish what little life was left in mediation efforts based on an Israeli Government plan for elections in the occupied territories.

Once again, the peace process has ground to a halt over the hoary question of Palestinian representation, and Israel's refusal to have anything to do with the PLO. Since launching his election plan in May, Mr Yitzhak Shamir has persistently rejected attempts by third parties, including Egypt and most recently the US, to arrange talks that fudge the issue of PLO involvement.

Ten days ago, the Israeli Government rejected a plan by Egypt's President Hosni Mubarak to broker talks in Cairo, and Mr Shamir has also been pouring cold water on Mr Baker's efforts.

Now Mr Arafat, who has toyed in recent weeks with the idea of co-operating with Egypt in the appointment of a delegation composed of Palestinians from within and outside the occupied territories, has reverted to an insistence that the PLO alone should have the right to choose a Palestinian team for negotiations with Israel.

An expected council statement to this effect was aimed at Mr Baker, who has mooted the idea of a three-way meeting on the subject of the election plan between himself and the Israeli and Egyptian foreign ministers.

Christians press demands

Right-wing Christian deputies insisted yesterday on their demand for a speedier timetable for Syrian troops to leave Lebanon, a main obstacle in reconciliation talks in Saudi Arabia, Reuter reports from Taif.

Deputies said the Christian MPs met Prince Saud al-Faisal, the Saudi Arabian Foreign Minister, for the second time in 24 hours to explain why they were adamant on this.

Prince Saud had advised them on Sunday against seeking radical changes in a "charter for national reconciliation", saying the original timetable had broad international support.

But the Christian deputies are under pressure from Gen Michel Aoun, Christian army commander, in Beirut to win concessions on a Syrian pullout to match those they have made on constitutional reforms giving Moslems more power.

In Beirut, a coalition of Syrian-backed Moslem and leftist groups demanded an immediate end to the present political system favouring the Christian minority. The front addressed its statement to the MPs who have been meeting for 16 days in Taif to debate the Arab-proposed charter to end 14 years of civil war.

Meeting at Mersa Matruh: President Mubarak (right) welcomes Col Gadaffi to Egypt near the Mediterranean resort town

Low-key welcome as Gadaffi visits Egypt

By **Tony Walker** in Cairo

COLONEL Muammar Gadaffi of Libya, who has frequently been portrayed in the official Egyptian press as something of a madman, was welcomed in Egypt yesterday by President Hosni Mubarak for a brief round of largely symbolic talks aimed at further consolidating improved ties.

The meeting, shielded from Western journalists, took place near the remote Mersa Matruh Mediterranean resort, about 130 miles from the Libyan border.

Official confirmation of Col Gadaffi's first visit to Egypt in 16 years was witheld almost to the last minute.

Egyptian officials made it clear they were anxious to avoid a media circus dominated by the mercurial and unpredictable Libyan leader.

The two heads of state were reported to have held two-and-a-half hours of relaxed and cheerful private discussions at a government guest house on the waterfront.

The talks are to resume today when Mr Mubarak will visit the Libyan town of Tobruk.

Relations between Egypt and Libya soured under President Anwar Sadat and the two countries fought a brief border conflict in 1977.

It was not clear whether Col Gadaffi's visit marked the formal resumption of relations broken after Libya's bitter criticism of President Sadat's visit to Jerusalem in 1977. Only Libya and Syria among Arab states have yet to resume formal ties with Cairo.

Western officials saw Egypt's subdued reception of Col Gadaffi as a sign that it was anxious to avoid giving offence to the US, its main benefactor. Washington remains intensely sceptical of signs that the Libyan leader may have decided to pursue a more sober foreign policy.

Libya's leader was reported to have directed conciliatory remarks yesterday at the US. "We (the Arabs)," he said, "do not want to cross the sea to attack anyone, but we also do not accept any foreign aggression or intrusion on our land."

Egypt and Libya have been gradually normalising their relations.

Their common border has been re-opened, and air and shipping links have been restored.

Egyptians recall, however, that it was not so long ago, in the mid-1980s, that Libya was being accused of sending assassins to Egypt to murder Libyan exiles who had sought refuge. Tripoli was also accused of sowing mines in the Red Sea to disrupt shipping using the Suez Canal.

US credit talks with Iraq stalled

By **Nancy Dunne** in Washington

TALKS with Iraq over US food credit guarantees have stalled because of concerns over unauthorised credits issued by the Atlanta, Georgia branch of Banca Nazionale del Lavoro.

According to the US Department of Agriculture, Iraq is up to date with its loan repayments to American banks, but US officials are concerned about what they call "allegations of various improprieties" connected with the BNL affair.

An Iraqi delegation arrived in Washington two weeks ago for annual farm credit consultations, asking for about $1bn in government-backed credit guarantees. Iraq is one of the USDA's best customers, and for the past three years it has received billions of dollars of short and medium-term credit backed by the US government.

This year, however, USDA says it is awaiting answers to questions about "potential wrongdoing in the mechanics of the programme" before the government will provide such lavish backing. Mr Paul Dickerson, USDA sales manager, said the US had offered $400m in guarantees until the concerns are resolved.

The BNL branch in Atlanta made credit commitments amounting to more than $3bn, including commodity export credits of $830m, not authorised by BNL headquarters. Last year, USDA made available to Iraq $1.037bn in short-term guarantees.

Saudi diplomat's legs blown off

A SAUDI diplomat was recovering last night in a Turkish hospital after both his legs were blown off by a car bomb in a quiet Ankara street outside a Saudi military mission, Jim Bodgener writes from Ankara. No organisation has yet claimed responsibility.

Mr Abdurrahman Shrewi is chief accountant at the Saudi military attaché's office. Other diplomats' suspicions quickly centred on Iran, or perhaps an Iranian-backed Lebanese group, after anger in Tehran at Saudi Arabia's public beheadings of 16 Kuwaitis on September 21 for a bomb attack during this year's Haj.

Gulf renews an old romance with bricks and mortar

Tony Walker reports on a new property boom

LOOK out from the top floor of almost any high-rise building in Abu Dhabi these days and you will see a scene of almost feverish activity. Relatively new 10-storey buildings are being demolished and in their place are springing up structures to cope with a fresh surge in demand for office space and residential accommodation.

"Everybody in business has been talking of little else in the past six months," said an expatriate banker in Abu Dhabi of the tremendous rebound in the property market after a relatively quiet five or six years. The upsurge in activity reminds some local residents of the great construction boom of the 1970s.

Rents in both Abu Dhabi and Dubai, now established as the Gulf's commercial hub, have gone through the roof recently. Agents report that both office space and good residential accommodation are at a premium.

"There's a tremendous shortage of purpose-built office accommodation," said Mr Ronald Hinchey of Cluttons, the British property managers. "Rents have gone up by between 50-60 per cent in one year."

Businessmen, including hordes of financial consultants who have arrived in the Gulf to take advantage of the increased activity following the winding-down of the Gulf war, are being obliged to share office space, or to rent villas or apartments, or hotel rooms just to give themselves an office address to comply with local registration requirements.

Among factors contributing to the property boom are:

- Abu Dhabi's recent decision to house thousands of its offshore oil workers locally. Previously, many of these workers, whose air tickets were subsidised, kept their families in Europe or America and would return home at the end of each stint.
- Recent stability in oil prices has revived confidence in the economies of the UAE, especially Abu Dhabi's.
- Dubai's emergence as the leading entrepôt of the Gulf (see box).
- The winding-down of the Gulf war. This has rekindled confidence in the future of the seven-emirate UAE.
- The October 1987 stockmarket crash, which persuaded many Gulf investors to move out of equities and into local property investments, particularly in Dubai.

In the emirate of Sharjah at the other end of the UAE, a similar boom is under way, although rents are generally substantially lower than in neighbouring Dubai. Christopher Rowley, Cluttons' Sharjah representative, estimates that rents for accommodation in Sharjah have jumped by about 25 per cent this year, much the same as for Abu Dhabi.

Ownership rules in the Gulf are strict. Only nationals of the six Gulf Co-operation Council countries are permitted to own property in any of GCC states. While this restricts the size of the market, government intervention ensures that in places like Abu Dhabi prices remain high. Most property in Abu Dhabi is bought and sold through a committee headed by Sheikh Khalifa, the Prime Minister and Crown Prince. The "Khalifa Committee" is effectively a vehicle for the redistribution of some of Abu Dhabi's oil wealth.

The Government allocates land to nationals, helps fund the construction on very generous terms and then manages the property until it is paid off. Unsurprisingly, it is very difficult for local agents to assess market value for properties under a system like this.

"There is no scheme to evaluate land according to its location," said Mr Jihal Mahoul of the local Emirates Property Investment Company (EPICO). "Sales are completely vague, and deals can happen without logical explanation."

In Dubai, the system is less benevolent. It is the private entrepreneurs, as opposed to the Government itself, who are heavily involved in property development.

In both Abu Dhabi and Dubai, there is a fear, however, that the property market is in danger of becoming overheated, just as it did in the late 1970s with disastrous consequences for a number of Gulf financial institutions when the "bust" inevitably came in the 1980s. Now the banks are being more cautious.

Dubai lures foreign companies

By **Hunter Reynolds** in Dubai

IN Dubai's affluent suburb of Jumeirah, the builders are constructing colonnaded palaces in imitation of the old plantation houses of Louisiana. It is the latest architectural fashion to hit the emirate, where luxury villas and new office and shopping complexes are springing up almost as fast as during the boom times of the 1970s.

The building boom is the most visible sign of a recent influx to Dubai of US and European companies. After several years of economic recession and war, foreign businessmen are showing renewed interest in using Dubai, the second-largest member of the UAE federation with a population of just 500,000, as a foothold in the Gulf in order to cash in on eventual reconstruction business in Iran and Iraq, and on increased post-war investment in other Gulf countries.

More than a dozen Japanese, European and US multinationals have set up their regional headquarters in Dubai over the past 12 months, by-passing another traditional centre, Bahrain. Some establish only a small office as a regional base for a handful of marketing executives; others invest more and use Dubai as a storage and distribution point.

As well as becoming something of a distribution hub, Dubai is also benefiting from an influx of foreign airlines. KLM moved its regional headquarters from Bahrain in July. Lufthansa did the same over a year ago. Forty-four airlines now call at Dubai's airport, and there are frequent flights to most of the Gulf states.

COMMONWEALTH CONFERENCE

Mahathir calls for tighter South African sanctions

By Robert Mauthner and Roger Matthews in Kuala Lumpur

THE RELEASE by the South African government of eight black nationalist prisoners was proof that sanctions were working, Dr Mahathir Mohamad, Prime Minister of Malaysia and the host for the 7-day Commonwealth summit opening tomorrow, said yesterday.

"We feel that this is a direct result of the sanctions which have been applied against South Africa and we feel that these sanctions must be continued", he said.

Dr Mahathir stressed that while the South African government might appear a little more accommodating towards black and mixed race people, the central issue remained apartheid and that was still very much in evidence.

Mahathir: sanctions working

His view on sanctions directly contradicts that of Mrs Margaret Thatcher, the British Prime Minister, who feels it would be most inappropriate to tighten sanctions just as Pretoria is showing signs of moving towards a dialogue with leaders of the country's black community.

Britain will therefore strongly resist renewed calls for stricter trade and financial sanctions against South Africa, proposed in reports to be submitted by a committee of eight Commonwealth Foreign Ministers, which Britain refused to join when it was set up in Vancouver two years ago.

A study known as the Hanlon Report, proposes a phase-out of trade with South Africa over five years, starting with agricultural products and bulk commodities such as coal, iron ore and base metals. That should be followed with bans on imports of manufactured goods and on the production and sale of coins and bars made of platinum, of which South Africa is the world's largest producer. Trade credits for sales to South Africa should also be phased out over three to five years.

The financial measures proposed by the Ministers include the lobbying of banks expected to negotiate next year's rescheduling of $8bn of main debt which South Africa owes them. The banks will be urged to apply the highest possible interest rates on the debt and to insist on substantial capital repayments. The Committee also proposes tough guidelines restricting new lending to South Africa and the setting up of a body to monitor a ban on medium and long-term lending to South Africa.

Dr Mahathir spelled out what he believed were the other two key issues for the Commonwealth heads of government to consider - drugs and the environment. The Malaysian premier said poorer countries should be given aid to offset the cost of fighting drug producers and traffickers.

He warned that the drug cartels were becoming powerful enough to subvert or even overthrow governments.

Malaysia also circulated a draft document outlining measures to protect the environment but which do not penalise developing countries.

Peking tests resolve of Hong Kong political leaders

John Elliot reports on how worsening relations with China are affecting the agenda for 1997

A DIPLOMATIC row with Peking over the treatment of illegal immigrants has confirmed the worst fears of Hong Kong's senior political and business leaders that they must steel themselves for a long period of instability in their relationships with China.

Senior government officials are talking in terms of "battening down the hatches" and "finding ways to sit it out and survive" until the current leadership struggle in Peking begins to resolve itself – which may not be before Mr Deng Xiaoping dies. That could indefinitely disrupt preparation for Hong Kong's return to Chinese sovereignty in 1997.

The current round of troubles started two weeks ago when Hong Kong allowed a Chinese swimmer, Mr Yang Yang, to fly to the US instead of sending him home. In retaliation China has stopped its daily practice of taking back its nationals who illegally cross into the British colony. There are now more than 400 of the would-be immigrants in Hong Kong detention centres.

Worries worsened sharply over the weekend when hardliners on the Standing Committee of China's National People's Congress demanded that for dissent and interference by Hong Kong people in China's affairs be outlawed. At a meeting on the Basic Law which will govern the British colony from 1997, they also rejected calls for Hong Kong to have the power to interpret its own laws and insisted instead that this important constitutional right should rest with Peking.

It also seems likely that the final draft of the Basic Law, which is to be prepared during the next few months, will not accept Hong Kong's calls for an accelerated development of democracy after 1997. It is not even clear whether there will be any improvements on a draft which appeared last February and delayed universal franchise till 2012 or later.

This means that the Tiananmen Square events and aftermath have had a disastrous effect on Hong Kong at a crucial time and could have a permanent impact by reducing the Basic Law's freedoms and democracy. Peking hardliners are unforgiving in their denunciation of the support Hong Kong gave the Tiananmen Square student dissidents. They believe that the colony is still potentially a counter-revolutionary centre which must be brought into line, not trusted.

At the same time the air of confrontation between Hong Kong and the UK on the one side, and China on the other, increased last week when the colony unilaterally announced plans to move a naval base out of the central area, and to introduce a Bill of Rights. China felt snubbed by these announcements which were part of a new approach by London and Hong Kong aimed at boosting local confidence from the low-point induced by China's clampdown.

It appears that the UK has decided to make the most of what it can do for Hong Kong, knowing that it cannot satisfy demands for 3.5m British passports, nor force Peking to change the Basic Law. But it does have the ability quickly to push through a strong Bill of Rights to help protect civil liberties after 1997.

The real test of British resolve will come when it decides how many people should be directly elected to the Legislative Council in 1991. Following post-June demands for faster introduction of democracy, it will almost certainly improve its current plan for 18 per cent of the council to be directly elected. There is a strong local lobby for one-third, but that might be a bigger percentage than Peking will allocate for 1997 in the final draft of the Basic Law.

The UK and Hong Kong governments now have to decide whether to go ahead with a high figure before China makes its decision, so daring Peking to announce that it will be reducing democracy when it resumes sovereignty. Alternatively they could let Peking make its announcement, then decide whether to defy China with a higher figure.

A possible compromise on timing would be to announce the 1991 percentage after working parties have completed preliminary work on the Basic Law but before the final draft is completed.

The dilemma of whether to go higher than Peking's percentage highlights what is perhaps the most serious other recent development in Hong Kong – a loss of will among activists to speak out and air their views. People have become scared of later reprisals by Peking, especially after Mr Martin Lee, a prominent lawyer and leading liberal, was warned by China that he was potentially guilty of sedition. They also do not want to upset Hong Kong's fragile confidence and endanger their prosperity.

This means that people are not sure that they want the UK to provoke Peking further by setting the pace in 1991.

The British calculation is that the quiet diplomacy practised before June has little chance of winning debates, with Peking's hardliners in their present mood. A more outspoken diplomatic style is being adopted.

The problem, however, is that confidence is so low, and fear so hightened, that the Hong Kong Chinese are not sure they want to have to risk paying the price, now or later, of their future sovereign rulers becoming increasingly angry.

MAO-STYLE PROPAGANDA MACHINE TARGETS THE YOUNG

WITH symbolic red scarves, closely cropped hair and uniform movements and clothing, 5,000 chanting, saluting children gathered in Peking's Tiananmen Square last Friday, resurrecting an era of doctrinaire rigidity many Chinese thought had past, Peter Ellingsen reports from Peking.

The occasion was the 40th anniversary of the Young Pioneers, a party support group that lately had resembled a youth club, but was clearly returning to its original role of adolescent incubator for Marxist principles.

Watching the parade of under-14s raising their right arms as they recited the slogan: "Be prepared to fight for Communism", a British diplomat who had been in China during the mind-numbing mid-1970s, said: "It is just like the Maoist times. This is the sort of performance they orchestrated 20 years ago."

Indeed, as the Party pushes ahead with its purge of liberals and struggles to stamp out dissent, indoctrination, particularly among the young, has resurfaced in earnest. As the man now being groomed to assume the mantle of supreme leader, Communist Party secretary, Jiang Zemin, explained: "Young Pioneers ... are the reserve forces of the Communist cause.

We must educate children to trust in Communism ... so they will be immunised against the corrosive influence of capitalism." It was vintage propaganda, exercised with all the emotive strings of former times. There are about 130m children between 7 and 14 in the Young Pioneers and, since the democracy demonstrations, there have been repeated calls to use the organisation to enforce Marxist thought.

Last week 800 new students at Peking University were dispatched to a military camp as part of an experiment in which "moral and political education" will replace first year campus study.

Two Koreas to allow divided families to meet

By Maggie Ford in Seoul

NORTH and South Korea yesterday agreed to allow members of separated families to meet in a move described by both sides of the bitterly divided peninsula as a positive step forward in relations .

The family visits, under the auspices of the Red Cross, are likely to take place in December and involve an exchange of 300 visitors from each side.

Red Cross officials met at Panmunjom, the border village in the demilitarised zone which separates South Korea from the communist North. They also agreed to hold a full meeting on a broad range of humanitarian issues in Pyongyang, the Northern capital, in mid December.

North and South Korea have been divided since the Korean war which ended in 1953 and have allowed no contact by individuals apart from a minor exchange of estranged families in 1985. About 10m South Koreans, 25 per cent of the population, have relatives in the North. There are no post or telephone links and individual visits are banned.

Optimists hope the exchange will pave the way toward a more relaxed relationship between the two sides. A further meeting is to be held later this week to discuss sending a joint team to the Asian Games in Peking to be held next year.

Many remain cautious about the likelihood of a breakthrough, pointing out that the two sides have still have to overcome decades of mistrust. The less ideological international climate however is likely to prove helpful. President Roh Tae Woo announced a new policy towards both the Eastern bloc and North Korea 18 months ago which has so far resulted in diplomatic or trade relations with a number of countries, including the Soviet Union and China.

Fijians charged with arson at Indian temples

EIGHTEEN indigenous Fijians were charged with arson and conspiracy yesterday after firebombings of Indian places of worship in Lautoka, Fiji's second city, Reuter reports from Lautoka, Fiji.

Mr Apaita Seru, the chief magistrate, refused bail for all but one, a 16-year-old schoolgirl, and ordered a formal hearing on October 27. The charges carry a maximum life sentence.

Lautoka's main mosque and a Sikh and two Hindu temples were firebombed on Sunday, but no one was hurt. The Government appealed for calm as police tightened security in the city and in Suva.

Fiji is trying to heal the rift between indigenous Fijians and ethnic Indians after two coups in 1987. Last weekend a meeting of Fiji's Indian leaders rejected a proposed new constitution, which would enshrine political supremacy for indigenous Fijians.

Human rights may sour Sri Lankan aid bid

SRI LANKA will have to defend its criticised human-rights record when donors meet in Paris today to discuss aid to the island, officials and diplomats said yesterday, Reuter reports from Colombo.

"Human rights. Certainly... we are all worried about what is going on in Sri Lanka," a Western diplomat said.

Colombo is seeking up to $750m in grants and soft loans at the World Bank-sponsored meeting, far above the $612m it won in Paris in June, 1988.

Sri Lankans and diplomats have been shocked at a wave of killings by pro-government gangs who scour the countryside for members of the People's Liberation Front, which is trying to overthrow the Government. Human-rights activists have also accused the Government of torturing detainees.

Diplomats said donors were unlikely to cut aid despite the government's failure to stop the killings.

Japanese consumer demand up

DEPARTMENT store sales in Tokyo recovered strongly last month, indicating a revival in Japanese consumer demand after a sluggish summer, Stefan Wagstyl reports from Tokyo.

Sales were 9.2 per cent higher than September last year, the largest increase since March. In March they rose 41.4 per cent in advance of the introduction of a consumption tax on April 1. Since then they have been slow, prompting some economists to suggest that consumer spending might be waning.

But yesterday's figures, announced by the Japan Department Stores Association, indicate that the main reason for dull spring and summer was that purchases had been brought forward to beat the consumption tax. The association expects sales growth to stay strong in October.

AMERICAN NEWS

Britain and Argentina play down hopes of diplomatic breakthrough at Madrid talks

By Robert Graham in Madrid and **Gary Mead** in Buenos Aires

TALKS AIMED at breaking the diplomatic deadlock between Argentina and Britain open in Madrid today, with both British and Argentine officials doing their best to dampen hopes of an early breakthrough.

Nevertheless, if these direct talks at a senior diplomatic level fail to produce the minimal tangible result of agreeing on the re-establishment of consular relations, then this would be a setback.

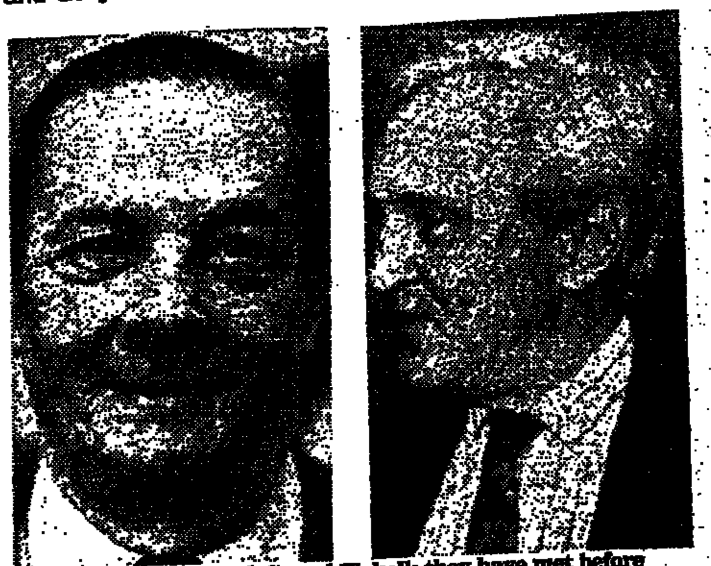
The Argentinians "do not have great expectations. What we have already got is very important, with the opening of the negotiations," Mr Domingo Cavallo, Argentina's Foreign Minister said yesterday. "We would like to restore consular and diplomatic relations, but without forcing the situation," he added.

President Carlos Menem of Argentina has staked considerable personal prestige since taking office four months ago on achieving an honourable diplomatic solution to the problems produced by the 1982 Falklands conflict with Britain. Without dropping Argentina's claims of sovereignty to the islands, he has agreed to put this vexed question to one side in order to establish a dialogue with Britain.

At the same time the British Government has largely overcome its reticence about dealing with Argentina in general and Mr Menem in particular, and is anxious to restore normal diplomatic relations. The continuing impasse with Argentina has remained a potential irritant in improving Britain's broader relationship with Latin America.

The talks are being conducted on the Argentine side by Mr Lucio García del Solar, Mr Menem's special roving ambassador, and Sir Crispin Tickell, the British Ambassador at the United Nations. These two officials met in New York on August 16/17 in what was the first direct contact between diplomats of the two countries since the abortive talks in Berne (Switzerland) in July 1984. The Berne meeting collapsed amid mutual recrimination largely because of misunderstandings over how to treat Argentina's claim to the Falklands.

The two sides are meeting in the houses of British and



Negotiators del Solar, left, and Tickell: they have met before

Argentine diplomats here, holding discussions which have been meticulously prepared to ensure progress.

The British aim is to begin by the re-establishment of consular relations which would also entail the re-establishment of direct air links between the two countries and the removal of financial restrictions of British companies operating in Argentina.

To do this, Britain would have to be satisfied that the Argentine Government had renounced all force to pursue its claim to the islands and that the declaration of belligerency was removed. In return Britain would remove its objections to Argentina signing a co-operation agreement with the European Community.

The Argentine Government is expected to press hard as a *quid pro quo* for normalisation for some confidence-building measures that would involve at least partial demilitarisation of the island.

The carrot being extended by Mr Cavallo concerns a government commission set up during the 1982 war to monitor and supervise British business interests. A bureaucratic hindrance to trade, the commission in fact became quite dormant but in the last few weeks, according to local businessmen, it has reactivated itself.

Buenos Aires wants to see a return to the *status quo* of pre-April 1982, when armed conflict broke out following the landing of an Argentine invasion force on the South Atlantic islands. This would mean the elimination of two zones around the islands, one devoted to conservation of fish stocks and licencing of trawlers, the other a defence zone, both of 150 miles radius. Mr Cavallo said that Argentina is "ready to lift all restrictions" against British property and citizens in Argentina if an agreement could be reached to return to conditions prevailing at that date.

At this stage British officials, under strong pressure from the Ministry of Defence, are reluctant to discuss a removal of the protection zone which has been in force round the Falklands since 1982. The existence of this zone permits easy monitoring of vessels and aircraft, while its removal would substantially increase the complexity of defending the islands.

However, it is recognised that the existence of the protection zone, plus the continued military presence of British troops and aircraft on the islands, hinders confidence-building between Argentina and Britain.

The Argentine Government is also keen on participating in the lucrative fishing within those zones, from which it has been excluded because it has chosen not to apply for fishing licences from the Falkland Islands government. Instead, Japanese, Korean, Spanish and Polish boats take most of the catch.

The Argentine press has taken note of elections held in the Falklands last week for new councillors. Three candidates belonging to Desire the Right, the islands' first political party, which advocated co-operation with Argentina over fishing in the South-West Atlantic, were roundly defeated. If Argentine entry to the zone is one result of the talks, it will arouse widespread anger and fears of a sell-out in the Falklands.

The main impetus to Argentina's negotiating position comes from the need of the Menem Government to put the Falklands issue to one side and resolve outstanding issues of diplomatic relations with Britain in order to concentrate on the parlous state of the economy. Significantly, only last week President Menem pardoned not only the senior officers responsible for planning the invasion of the Falklands but also several dissident middle-ranking officers who have been bitter about the way they were treated by their superiors in the wake of the war.

The fact that Argentina's claims to sovereignty are, to all intents and purposes, being shelved at Madrid, has not attracted significant criticism within Argentina.

Both Mr Cavallo and the normally highly nationalist Argentine press have played down hopes of what will emerge from the Madrid talks. One national newspaper, Ambito Financiero, said yesterday that before the 1982 war the fishing zone around the islands was three miles; it was most unlikely, the paper added, that the defeated side in a war would be able to persuade the victor to reduce the zone from 150 miles.

But the question of sovereignty will not go away.

Mr Cavallo said at the weekend that "we have to be as patient as possible and wait for agreements to come when the circumstances are right". Yesterday Mr Eduardo Duhalde, Argentina's vice-president, stated that while he did not want to encourage "exaggerated expectations" from the Madrid meeting, "I have not the slightest doubt that the at the end of the road we will achieve clear sovereignty over the islands".

EC paves way for ties with Chile

By Lucy Kellaway in Brussels

THE European Commission yesterday announced plans for a co-operation agreement with a democratic Chilean government.

The agreement, which would cover both commercial and political relations, would be broader in its scope than similar arrangements that exist between the EC and other Latin American countries, according to EC officials.

Mr Abel Matutes, the Commissioner in charge of relations with Latin America, said he expected the agreement to open a new era of co-operation between the EC and Latin America. So far, accords have centred on commercial and economic matters but he held out the hope that relations would include a broader co-operation on industrial, technical and scientific matters.

Chile goes to the polls in December to vote for its first democratically elected government since Gen Augusto Pinochet seized power in a bloody military coup in 1973.

Mr Matutes is due to publish a full policy review on relations between the two continents at the end of the year.

Mexico says its creditors back debt reduction deal

MR ANGEL GURRIA, Mexico's top debt negotiator, said yesterday that the country's creditor banks were responding positively to the reduction package which Mexico and its leading creditors are setting up, AP-DJ reports from London.

His optimism about the meetings with creditor banks contrasts with some bankers' views that the deal may require arm-twisting by the US Treasury in order to succeed.

Mr Gurria, Mexico's Under-Secretary at the Ministry of Finance, met European bankers in London. He will visit several European cities before ending his tour on October 22 in Bahrain and has already visited Japan and the US.

"We've had a very good response," Mr Gurria said. "So far the trip has been satisfactory."

Mr Gurria said an increasing number of banks appeared to be considering the option under the deal whereby they can swap their Mexican loans for 30-year bonds with a face value discounted by 35 per cent.

The other two options consist of swapping loans for bonds with 6.25 per cent interest rates, or providing fresh loans. Interest and principal on the bonds will be backed by \$7bn in funds provided by the IMF, the World Bank, Japan and Mexico. Because only \$5.8bn of that will be provided up front, Mexico's lead banks are trying to organise a \$1.2bn short-term financing to bridge the shortfall.

The accord, which covers \$52.7bn of Mexico's medium- and long-term debt, is expected to take effect early next year, although its benefits will be backdated to the middle of 1989.

One concern among bankers has been that not enough banks will opt for the new loan option. If all the banks opt for the bond options, there will not be enough collateral to go around.

Mr Gurria said the principal-reduction bond that is the main focus of the banks uses less collateral than the reduced-interest bond, which means "the threshold of the minimum of new money needed is reduced." He did not say what the minimum would be, but he was optimistic that enough banks would opt for the new money option to allow the deal to succeed.

Some bankers fear the deal could unravel if the lead banks do not complete the \$1.2bn short-term financing.

Panama shakes up its army

Panama announced a shakeup of top army officers on Sunday, 12 days after strongman General Manuel Antonio Noriega crushed a bloody coup attempt, Reuter reports from Panama City.

Six new appointments announced by pro-government television included a replacement for Colonel Julio Ow Young, operations chief of the high command and one of the most senior officers arrested after the failed coup.

Others named were a new deputy chief of military intelligence, Major Rafael Cedeno, transferred from Noriega's headquarters to be deputy commander of the G-2 military intelligence unit; a new police chief, Major Anibal Mailin, and new commanders of military areas elsewhere.

The changes affect the command of several units involved in the October 3 uprising and appear designed to reassert Noriega's control, political analysts say.

Authorities say 10 rebels were killed and 37 arrested after the coup attempt, the most serious challenge to Noriega in six years as army chief and Panama's de facto ruler.

Colombian investors think twice

By Sarita Kendall in Bogotá

THE COLOMBIAN economy, well managed and resilient though it may be, appears to be heading for a difficult period, with lower growth and worrying deficits.

Falling coffee prices and the effects of the drug war have aggravated a downward trend. But the recent warning by Mr Alarcón Luis Fernando, the Finance Minister, of "adjustments" – in contrast to his usual optimism – suggests that the Government plans to grapple with the problems, at the risk of losing popularity in the run-up to elections.

Forecasters, including the Government, now put 1989 growth at 3.5 per cent or less and 1990 is unlikely to be any better. Agriculture is prospering but industry, retail sales and construction are all very depressed: car sales fell by 9.4 per cent in the first eight months of the year and the only industrial sectors with any dynamism are those oriented towards the export market, such as textiles. A survey by Fedesarrollo, the economics institute, found that 77 per cent of businessmen say the social-political climate is "unfavourable" for investment in industry, compared with the 40 per cent who gave this reply in May.

Bogotá shops are offering big discounts to draw customers put off by credit card restrictions and bombings. Medellín and Cartagena hotels are well below normal occupancy levels, with conferences, charter flights and cruises cancelled. Restaurants and cinemas have also lost business. But these immediate effects of the drug war are only part of the story.

"It's too soon to judge the indirect longer term effects," said an international banker in the capital. "People are thinking twice about new investment. But other factors are more important, such as the economic prospects for 1990." Foreign companies seem to have adjusted to the changes in violence and BP, for example, has moved families back from Quito to Bogotá.

The budget deficit is the most disturbing indicator. An independent study by La Nota Economica says that the overall public deficit could pass 4 per cent of Gross Domestic Product in 1990 unless the Government acts fast to cut spending. The Finance Ministry's target of 2.4 per cent for this year and next is generally considered unrealistic. Big increases in the defence and justice portions mean that social programmes, which were to have received a boost in President Virgilio Barco's final year, will suffer.

Colombia will increasingly rely on its oil and coal exports as coffee income drops. Despite some success in shipping greater volumes, coffee earnings are expected to be \$200m down this year and \$400m down in 1990. Despite fierce opposition from growers, the Government will probably let the price paid to coffee producers drift behind the 26 per cent inflation rate so that the National Coffee Fund is not strained too far. But this will reduce purchasing power in a significant sector of the economy.

The black market exchange rate has remained unexpectedly close to the official rate, with the margin varying between 2 and 4 per cent. Yet dollar income taken at the anonymous service window in the central bank began to drop sharply after President Barco announced his anti-drug package. The loss of this bonus will almost certainly increase the current account deficit to over \$600m.

Colombia's interest and amortisation of payments on the \$16.5bn foreign debt have reached nearly half of total exports. Although international reserves fell by \$550m in the first nine months of 1989, they are expected to recover by the end of the year.

After long delays the first disbursement of \$680m of Colombia's "Challenger" bank loan is due in the last week of October. The economic team is already talking of negotiating another \$1.3bn and is trying to smooth the way with the World Bank and the International Monetary Fund. But this will probably have to wait for the next government: at least three of the leading presidential candidates are in favour of restructuring the foreign debt.

WORLD TRADE NEWS

Mexico to strengthen laws on intellectual property protection

By Peter Montagnon and Andrew Marshall

MEXICO intends soon to strengthen its laws governing intellectual property protection, to help counter US criticism that its present approach is too lax, Mr Jaime Serra Puche, Trade Minister, said in London yesterday.

The changes, modifying rules in force since 1986, would come in the context of Mexico's industrial modernisation programme, but should mean Mexico is removed from the US watch list of countries with insufficient protection "very soon".

Little investment had been made in Mexico in the last decade, Mr Serra said in an interview, and it now wanted to modernise its economy rapidly. Intellectual property protection was "essential" to ensure Mexico had access to foreign investment flows and new technology.

He declined to go into details of changes being considered, but, given US criticism of the Mexican system, expectations are that they would have to include an increase in the length of patent protection if the Bush Administration is to be satisfied. Current patent protection lasts 14 years against the international norm of 20 years.

Mexico currently only recognises process patents in sensitive industrial areas such as pharmaceuticals, chemicals, food and metal alloys. These are weaker than conventional product patents and only last for 10 years.

Mexico's approach to intellectual property meant it did not share the resistance of some other developing countries to new protection rules being elaborated in the General Agreement on Tariffs and Trade as part of the current Uruguay Round of trade liberalisation talks.

Instead, the minister said, Mexico's main aim in these talks was to ensure that through them, it received reciprocal benefits from its trading partners for the economic and trade liberalisation measures it has undertaken unilaterally.

In an implicit reference to its ability to service the US market, on which its attractiveness to foreign investors heavily depends, Mr Serra said he was most concerned about gaining foreign market access for Mexican products.

Among the measures for which Mexico deserved reciprocal benefits in the Uruguay Round were its decision to cut and bind its entire tariff listings at the relatively low average rate of 10 per cent. It was also a free trader in steel, an industry which the government did not subsidise, he said.

Trade barriers it wanted removed included quotas in textiles and steel, customs restrictions and health and sanitary regulations covering food products.

"Right now, we are very competitive. We had better take advantage of that. We have the moral authority to ask for that because we have opened up our markets."

Although it is a net importer of food and would face higher bills if it were to go along with a Uruguay Round agreement to wind down subsidies in farming, Mr Serra said Mexico would be prepared to do so in return for secure access to foreign markets for its own farm products such as fruit and vegetables.

He indicated that Mexico, would be prepared to revise its restrictive policy towards foreign bank operations as part of an agreement to liberalise trade in services, if such agreement also covered the labour intensive service sectors in which it was interested.

British appeal for caution over Soviet textile pact

By Peter Montagnon, World Trade Editor

ANY NEW textile trade agreement between the European Community and the Soviet Union must retain a "carefully controlled framework for textile trade" to ensure that European producers do not face unfair competition from their Soviet counterparts, Mr Colin Purvis, Director of the British Textile Confederation said yesterday.

In a speech to the Huddersfield Textile Society coinciding with the first day of EC-Soviet textile talks in Moscow, Mr Purvis warned that continuing Soviet state control of industry and prices could lead to competition based on prices no Western company could match.

"The British industry has no reason to fear Soviet competition if it is based on prices fixed by production costs and normal commercial factors. But prices fixed by the state to earn foreign exchange are a different matter."

The Moscow trade talks are taking place at the request of the Soviet Government and are designed to lead to an agreement on textile trade between the two sides.

"We are all sympathetic to the political and economic reforms under way in the Soviet Union," Mr Purvis said.

"However, this does not mean that the EC should adopt trading policies which encourage the Soviet Union to send large quantities of textiles to Western Europe," he added.

Moscow seeks Western aid in 'guns to butter' switch

MOSCOW is seeking Western suppliers to get involved in its crash programme to convert defence industries into equipment manufacturers for the neglected consumer goods industry, Quentin Peel reports from Moscow.

The programme, still to be spelt out in detail, will be a major investment area in the immediate future, as a key element in the campaign to tackle consumer goods shortages.

A list of some 30 projects to produce textile and food processing machinery and medical equipment was presented to British businessmen in Moscow yesterday, for possible contracts or joint ventures.

Any potential Western supplier will almost certainly have to use barter or other methods of remitting earnings abroad, because of Moscow's acute foreign exchange shortage, trade specialists warned.

The project list was presented at a round table of British businessmen and Soviet officials organised by the Confederation of British Industry and the Soviet State Committee for Science and Technology.

The Soviet side said it could not give any estimate of the likely investment in converting the defence industry, which is supposed to involve at least 400 different state enterprises in the coming year. Output of purely defence equipment in the current year would be reduced by 7 per cent in 1990 to accommodate an increase in consumer-related production.

Mr Nikolai Ryzhkov, Soviet Prime Minister, has said civilian production by defence industries will rise from the present 41 per cent of total output to 49 per cent next year, and 60 per cent by 1995.

Soviet decision-makers are still debating the right strategy for conversion. Academician Yevgeny Velikhov, a close adviser to Mr Mikhail Gorbachev, has argued that defence producers should concentrate on making high-technology goods for export, in order to purchase consumer goods for the domestic market, and not attempt to produce consumer goods themselves. The other problem is how to finance any Western involvement.

Menem signs decree to open up oil industry

By Gary Mead in Buenos Aires

ARGENTINA'S President Carlos Menem has signed a decree approving gradual de-regulation of the country's state-controlled oil industry.

The decree, part of the government's drive to open Argentina's economy to foreign investment, permits private companies to explore for and exploit oil reserves. To date, all such activity has been monopolised by the state-owned company Yacimientos Petroliferos Fiscales (YPF).

The decree promises to privatise all YPF-controlled oil wells within six months. Producers of crude now have the right freely to trade their product in foreign and domestic markets.

The decree's final shape does not permit debt capitalisation schemes for purchasing crude oil, a policy which Mr Nestor Rapanelli, Economy Minister, had pushed for. Nor is there yet any elaborated policy on price de-regulation.

This will be dealt with in another decree, which, officials say, will be presented for presidential approval shortly.

Reaction to move is mixed. The news is bound to be welcomed by foreign oil companies with outposts in Argentina, but opponents may decide to try to slow the process.

World Bank considers Polish loan

THE WORLD BANK is considering a $150m loan to Poland to help modernise its transport sector through investments in repair and maintenance of railway rolling stock, track, signalling and telecommunications, Peter Montagnon writes.

Its Monthly Summary of Operations says the loan, for which an appraisal report is being prepared, would also provide funds for road laboratory equipment and technical assistance to Poland's Public Roads Directorate.

Projects listed by the Bank give a clear indication of the sectors likely to benefit once lending to Poland, which has not previously borrowed from the Bank, begins.

The Bank says it is financing a preparatory report for an industrial modernisation project with an estimated cost of $442m, of which $250m would be provided by the Bank, as the bulk of the hard currency. This would include help for selected export-oriented industries such as chemicals, and a credit line for other smaller investments.

Appraisal reports are also being prepared for an $80m project, of which $50m would be provided by the Bank, to help modernise farm processing industries, and for a $400m project to increase coal output.

Patent law may be key to Uruguay Round

Peter Montagnon reports on the growing battle over intellectual property rights

COUNTRIES which refuse to accept new obligations as part of the Uruguay Round of multilateral trade negotiations should be expelled from the General Agreement on Tariffs and Trade (Gatt).

This was the burden of the argument advanced last week by Mr Michael Samuels, US Ambassador to the Gatt under the Reagan Administration, in a speech to the Royal Institute of International Affairs. Such was the danger to the multilateral trading system from an unsuccessful Uruguay Round, he said, that the threat of expulsion was needed to concentrate minds.

Mr Samuels made it clear that, even if his idea was accepted, he would not expect the US to be expelled for its reluctance to reform world trade in textiles. Instead his remarks were directed to countries like India which have been resisting the incorporation of new issues like liberalisation of trade in services and better protection of intellectual property. Indeed he put intellectual property right at the top of a long list of issues with which negotiators must grapple if the Round is to succeed.

There could scarcely be a better indication of the way in which this single item is now emerging as crucial to the Round as a whole. US trade officials admit privately that it might be impossible to persuade Congress to accept a Uruguay Round result that did not include substantive measures to protect US rights in areas such as patents, trademarks and copyright.

Yet, though negotiations on this subject in Geneva are proceeding in a more workmanlike fashion since the completion of the mid-term review of the Round in April, the issues surrounding the debate are complex and it is by no means clear that a favourable result can be achieved.

'Lax international rules on intellectual property allow the developing countries to steal skills and knowledge'

One feature that sets intellectual property apart from other items on the Uruguay Round agenda is that the discussion is not really about liberalisation but about increased protection.

While the US argues that lax rules on intellectual property elsewhere in the world allow developing countries to "steal" its skills and knowledge, developing countries are being asked to give up freedoms to use these skills and knowledge which they are currently able to appropriate for virtually nothing.

In purely economic terms the US argument is thus difficult for developing countries to swallow. US industry calculates that the loss to holders around the world of patents and other intellectual property through abuse of their rights by others amounts to some $60bn a year. This figure was certainly bumped up to impress Congress, but there is no doubt that the sum of money involved is substantial. It makes no economic sense for the abusers to mend their ways and forfeit this financial advantage unless they receive equivalent benefit in return.

The problem lies in trying to quantify the economic gains and losses. At the end of the day, it may, admittedly, be that decisions will be taken for overwhelmingly political reasons. Developing countries know from the experience of unilateral actions on intellectual property already taken by the US against countries ranging from Brazil and Chile to India, Taiwan and South Korea, that there can be no relief from this onslaught unless they agree to new rules within Gatt.

Speaking at a recent off-the-record seminar at Wilton Park, the conference centre run by the Foreign Office in Sussex, one US participant put the case in the following terms.

The talks on intellectual property were driven, he said, by the fact that the world economy was increasingly operating in a global market. In this situation it made no sense to have patent rules that operated simply at national level. Countries which wanted to be part of the global economy and not just "hewers of wood and drawers of water" would have to accept international disciplines. Otherwise they would be deprived of both foreign investment and technology transfer and their own lax rules would also make it difficult to develop home grown talent.

'There is nothing at the moment in the Gatt which can stop the multinationals imposing all sorts of restrictions'

Such arguments still cut little ice with countries such as India which has for many years relied on loose patent protection to provide its population with cheap medicines. They are simply not convinced that better patent protection would stimulate additional foreign investment, and they are worried about the conditions which might be attached. There is nothing at the moment in the Gatt which can stop multinational companies imposing all sorts of restrictions on foreign investment and technology transfer. These range from tied purchase of inputs, to prohibition of exports and abusive transfer pricing. Such policies on the part of companies, they say, are all trade-related intellectual property measures and ought to be the subject of discussion.

It may well be, at the end of the day that political pressures may force a Uruguay Round agreement on intellectual property, but this Indian argument leads on to another point which is now slowly gaining credence with officials involved in the Gatt. This is that with new issues such as services and intellectual property under its belt, Gatt will have to turn its attention to another, even more difficult new area, that of competition policy, if the behaviour of multinationals is to be regulated to ensure a level playing field.

At the moment competition policy is still a potential agenda item for future rounds, but the fact that some are already beginning to signal an interest does illustrate how far removed trade policy has now become from the simple business of negotiating tariff cuts.

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For further information please contact the Joint Administrative Receiver: W F Ratford.

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APPOINTMENTS

Storehouse finance director

■ STOREHOUSE, the retail group headed by Sir Terence Conran, has appointed a new finance director, in a further move to strengthen the group's board, *writes Maggie Urry*.

Mr Robert MacKenzie *(right)* will join the group at the end of November from Imperial Tobacco, part of Hanson. He will replace Mr Jim Power, who will retire early at the end of December, when he will be 57. His decision to retire was described by the group as "amicable".

This is the latest of a number of board changes at Storehouse, which includes BhS, the chain store, Mothercare, which sells goods for mothers and children, Habitat and Heal's, the home furnishings stores, and Richards, the women's fashion chain.

The changes date back to the appointment of Mr Michael Julien as chief executive on June 1 last year. Mr Julien instituted a restructuring programme, which involved a £49.4m exceptional write-off in the accounts for the year to April 1 1989. Profits before the write-off were £60.7m down from £114.9m the year before.

The group has also been subject to takeover speculation since Mr Asher Edelman, the American arbitrageur, took a stake in the company last year and said earlier this year he would bid for the group if the board would recommend the offer. Storehouse rejected his advances.

Between the 1988 and 1989 annual reports, four out of eight executive directors left and three were appointed. Three new non-executive directors also joined the board. The group also has a new company secretary, and there have been a number of changes below board level as well.

Mr Robert Mackenzie

Mr MacKenzie, who is 36, is an accountant. He joined Hanson in 1985 and moved to Imperial in 1987. Since then Imperial has implemented a rationalisation programme and improved profitability. Analysts said there was scope for further cost cutting at Storehouse.

■ THE MINET GROUP has appointed Mr Richard H. Murray as chairman and chief executive officer of Minet International Professional Indemnity from January 1 1990, when he will join the board of Minet Holdings. At present executive director of Touche Ross International, he will be based in New York.

■ LONDON WALL HOLDINGS has appointed Mr Charles Hunter and Mr Peter Murrell as directors.

■ Mr Sandy Collin has relinquished his post as managing director of THURGAR BARDEX, but remains chairman. Mr Cliff Nye becomes group chief executive, and Mr Peter Johnson has been elected deputy chairman.

■ G & L RALLI INVESTMENT & TRUSTEE COMPANY has appointed Mr Robin Vlasto and Mr Hubert Gledhill, formerly of National Westminster Bank, as directors of the main board. They are both directors of the subsidiary banking company Ralli Investment Company.

■ Mr Roger W. Horton is made group marketing and commercial director of ANGLIA SECURE HOMES.

■ SMITHS INDUSTRIES has appointed Mr Christopher Taylor as financial director in succession to Mr Alan Hornsby who has retired.

■ WATTS AND CORRY GROUP, Manchester, set designers and builders for TV and films, has appointed Mr Frank Stansil, senior partner of Hacker Young, as a non-executive director.

■ Mr Bob Pell has been promoted to managing director of CONRAN ROCHE, and Mr Des Gunewardena, formerly director of finance of Heron International's Lancar, joins to take the new post of finance director.

■ Mr Peter Jackson has been appointed managing director of HARDCHROME (POOLE).

Ms Susan Folger *(above)* has been appointed company secretary of SPEYHAWK, the property development company. She was assistant company secretary.

FT LAW REPORTS

Missing artwork case is stayed

CLEVELAND MUSEUM OF ART v CAPRICORN INTERNATIONAL SA AND ANOTHER

Queen's Bench Division (Commercial Court): Mr Justice Hirst, October 2 1989

PREMISES with no outward sign or physical indication of their connection with a foreign art dealing company are its established place of business for the purpose of serving proceedings in the UK, if used for the storage and viewing of its art works. But the UK case will be stayed if proceedings have already started in a foreign court which is a more appropriate forum for trial of the action.

Mr Justice Hirst so held when granting an application by the first defendant, Capricorn International SA, a Panamanian company, to stay proceedings brought against it and the second defendant, T Rogers & Co (Packers) Ltd, by Cleveland Museum of Art (CMA).

HIS LORDSHIP said that Capricorn owned a very valuable reliquary which was an important piece of ancient Pakistan art of the Gadhara period, dating from the first century AD.

Part of the reliquary consisted of a gold inscription plaque which referred to the 14th year of a particular Gadhara king, enabling experts to date it precisely.

By agreement dated January 13 1984 Capricorn agreed to lend the reliquary for display at an exhibition to be held in Cleveland, Ohio, and elsewhere in the US.

For about a year immediately prior to its despatch to the US the reliquary had been held by Capricorn in a secure vault at 72A Carlton Hill, St John's Wood, London.

In late September 1985 Rogers, an English company, collected the reliquary from Carlton Hill to pack for shipment. In October it was despatched by Rogers to CMA in Cleveland.

After it had been unpacked in Cleveland the plaque was found to be missing. Various investigations, including one by the FBI, failed to trace it or to discover the place or circumstances of its disappearance.

On September 15 1987 Capricorn began proceedings against CMA and Rogers in Cleveland, Ohio, claiming *inter alia* breach of the loan agreement against CMA.

Two other claims were made jointly against CMA and Rogers as bailees and/or for negligence in handling the reliquary, on the footing that they were shipping principal and agent respectively.

CMA denied the allegations as to the circumstances of the loss, and contended Rogers was not their agent, but Capricorn's.

The amount claimed was about $400,000, representing the diminution in value of the reliquary without the plaque.

During the intervening two years the Ohio proceedings had gone through lengthy interlocutory stages, including discovery of documents and oral discovery involving examination of several witnesses on both sides. The case was virtually ready for trial.

On January 19 1989 CMA applied for and obtained a stay of the Ohio action, pending its attempt to begin English proceedings. The trial had been provisionally fixed to begin on October 27 1989.

CMR issued its writ in the English action on April 4 1989, claiming against Capricorn for the appropriate proportion of CMA's alleged wasted expenditure in carriage and insurance totalling approximately $1600, on the footing that Capricorn or Rogers (as Capricorn's agent) were responsible for the loss of the plaque; and against Rogers on the footing (which CMA denied) that it was in fact CMA's agents.

The writ was served by post at Carlton Hill, on the basis that it constituted a place of business established by Capricorn as an overseas company in Great Britain.

Section 695(2) of the Companies Act 1985 provided that where an overseas company had defaulted in registering the name and address of a person resident in Great Britain authorised to accept service of process on its behalf, service could be effected by leaving the document at or by posting it to "any place of business established by the company in Great Britain."

Capricorn now applied for service of the writ to be set aside on the ground that there was no good service under section 695(2), because Carlton Hill did not constitute a place of business established by Capricorn.

Palmer's Company Law 24th ed 1987, page 1658 stated that a company had an established place of business in Great Britain if it had a specified or identifiable place at which it carried on business. It said "there must be some visible sign or physical indication that the company has a connection with particular premises."

In *Re Oriel [1986] 1 WLR 180* Lord Justice Oliver made it clear: (i) that a visible sign or physical indication was not essential, though its absence was a factor to be taken into account; and (ii) that section 695 assumed there was some readily identifiable point at which it could be said the place of business was established there.

Carlton Hill belonged to a company called Races SA, an associate company of Capricorn. It was a converted church used as the London residence of Signor Mario Tazzoli, a wealthy and important art dealer. Part of his very large private collection had been on show there.

There was no outward sign on the building associating it with Capricorn.

From Capricorn's evidence one would have gleaned no inkling that any Capricorn object other than the reliquary had ever been on the premises. In the light of other evidence that testimony was, to say the least, incomplete.

Evidence given by Roger's foreman demonstrated substantial storage of art works on the premises by Capricorn. It showed that a large number of deliveries and collections had been made on Capricorn's account. Most importantly, it demonstrated that the foreman regarded them as Capricorn's premises.

The substantial scale of storage was corroborated by the scale of insurance placed by Capricorn, and the wide description of the insured works.

Also it was clear the premises were used for viewing works of art stored there by Capricorn; and the address on the insurance policy was consistent with the premises being Capricorn's established business premises.

Storage and viewing were very important aspects of an art dealer's business. CMA had demonstrated a sufficiently substantial scale of those two activities to make good its case that Capricorn had, at date of service, an established place of business on the premises.

The evidence showed a steady pattern of user from at least 1984 when the first insurance was placed, indicating establishment from that date on.

The fact that other art works not belonging to Capricorn were also on the premises did not affect that conclusion. Nor did the absence of any outward sign of Capricorn have any significance. It would be uncharacteristic for dealers in objects of high quality to display conspicuous nameplates.

It followed that service of the writ at Carlton Hill was good service.

Alternatively Capricorn sought a stay on the ground of *lis alibi pendens* in Ohio.

A number of factors pointed very strongly in favour of Ohio as the more appropriate forum (see *Abidin Daver [1984] AC 398, 411*).

(i)The case had been under way in Ohio for over two years and was now ready for trial; (ii) Capricorn had already expended $75,000 in legal costs in those proceedings; (iii)there would be substantial delay in resolution of Capricorn's claim; (iv) Ohio law was the proper law of the loan agreement; (v) Ohio was a more convenient forum for the witnesses; (vi)issues arose about insurance in the US which did not arise in the English proceedings; (vii) Capricorn's original choice of venue in Ohio was in all respects appropriate.

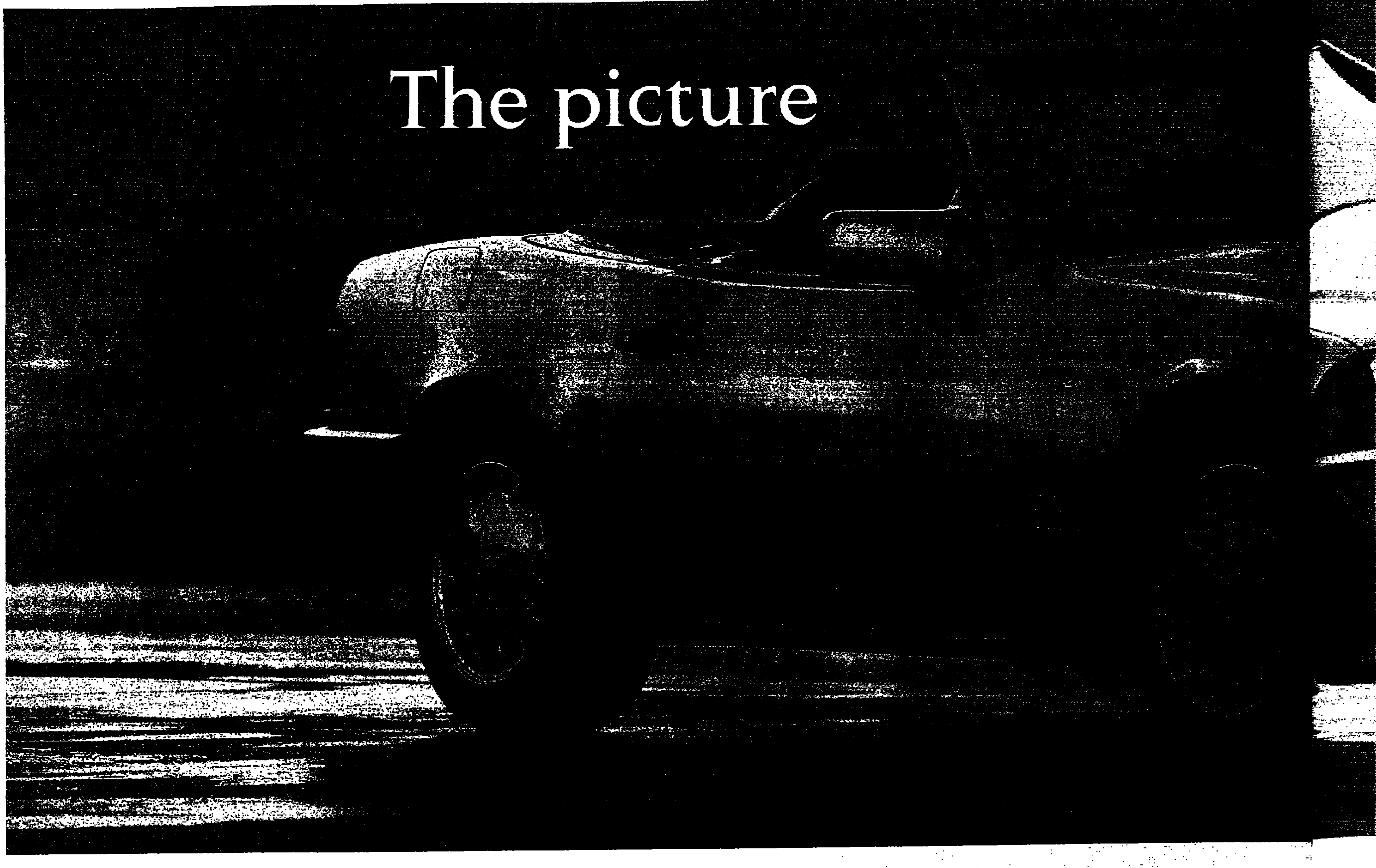
It was convenient for witnesses; the contract was for loan for exhibition in the US; a very substantial part of the facts were connected with Ohio and were by no means outweighed by the connection with England because the reliquary was packed in and despatched from London. Above all, Ohio was CMA's home base.

Taking all considerations into account, further pursuit of the English action would result in substantial additional expense, inconvenience and delay.

Capricorn's application for a stay of the English proceedings was granted.

Rachel Davies

Barrister



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· Performance: top speeds range from 139mph to 156mph, and 0-62mph acceleration figures range from 9.5 seconds to 6.1 seconds (manufacturer's figures).

· The engines accept either leaded or unleaded fuel.

· The wind-tunnel sculpted body has a drag co-efficient of 0.32 (with hardtop fitted).

· ABS brakes are standard (front discs are ventilated).

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· The convertible roof opens or closes in 30 seconds, at the touch of a button. This microprocessor controlled 12-stage operation utilizes 17 micro-switches, 15 hydraulic pressure cylinders and 11 solenoids. There is also a mechanical back-up.

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· An internal central locking system secures all ancillary compartments such as the glove box, door pockets and central console, so the car can be parked securely with the top down.

· The standard tyres are of high performance 225/55ZR16 specification.

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· An electrically adjustable steering wheel is optional on the 300SL and 300SL-24 (standard on the 500SL), and the horn boss can incorporate an inflatable airbag to cushion the driver in the event of a severe frontal collision.

· Automatic seat-belt tensioners protect occupants when an impact is less severe.

· A polycarbonate dust filter stops pollen and dust particles as small as 5.0 micrometres from entering the car through the fresh-air vents, and screens out 60 percent of particles as small as bacteria.

· Sophisticated electronics enable the fuel injection and ignition systems to communicate with each other. This ensures the engine produces its best under all driving and load conditions.

· The new SL's hardtop is 18 percent lighter than the previous model's; 34 roof designs were tested before the ideal configuration was produced.

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· Inlet valve timing in the twin-cam four-valve per cylinder engines varies automatically to ensure highest possible torque output at all engine speeds, from idling to maximum revs.

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· When fitted with ADS, the car also lowers itself by 15mm at high speed to improve aerodynamic efficiency and reduce front-end lift. And ground clearance can be increased by 30mm at low speeds if the car has to negotiate difficult terrain.

· Hot or cool air can be directed to the face when the heating is on.

· Highly sophisticated lighting is by asymmetric multi-focus halogen headlights and polyellipsoid halogen fog lights.

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· A one-touch memory button (standard on the 500SL) allows blanket readjustment of the seat position, the steering wheel reach and rake, and the three rear-view mirrors. The memory bank stores positions for three drivers.

· Suspension is by the Mercedes-Benz advanced and proven multi-link arrangement at the rear, and shock absorber struts at the front. The system sets standards for handling, comfort and precise wheel location under extreme conditions, and ensures rock-solid straight-line stability.

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UK NEWS

BR head warns against breaking up network

By Kevin Brown, Transport Correspondent

SIR Robert Reid, chairman of British Rail, spoke out for the first time yesterday about the dangers of breaking up BR into competing private companies.

"I see a broken up railway (with) lots of little companies which are not properly co-ordinated as a great disadvantage to my customers, because there will be constant friction," Sir Robert said.

There would be arguments between the competing companies about track rights, terminals and staffing, Sir Robert told the BBC's Panorama current affairs programme.

His comments put on record his opposition to the fragmentation of BR only five months before he is due to retire.

However, it has long been clear that Sir Robert and other senior BR executives would prefer to see the corporation privatised as a single holding company which would oversee increased competition between its five business sectors.

Mr Cecil Parkinson, the Transport Secretary, indicated on the same programme that he was moving towards a similar conclusion, although he appeared to favour separating the business sectors from BR.

"If you did break it up into separate companies you would get competition by emulation. You would get smaller units (which would be) more accountable," he said.

He said InterCity was a good example of a business sector which had "responded very well" to becoming a separate business within BR.

The Government is considering a number of privatisation proposals, some of which would involve breaking up the corporation into regional or market-based companies.

However, no decision on whether or how to privatise BR is likely for some time. Mr Parkinson admitted, after addressing the Conservative Party conference last week, that the issue was no longer a priority.

Mr Parkinson refused to say on the Panorama programme whether he would consider asking the Cabinet to use public money to rescue BR's troubled project to build a high speed rail line from London to the Channel Tunnel.

"The moment I answer your question the negotiations between the two parties stop, and then they start focusing on how the Government can be involved.

"At the moment the negotiations are at a very delicate stage," he said.

Sir Robert confirmed that the two private consortia discussing the project with BR have called for Government money to bridge a funding gap of up to £2bn.

Builders 'cynical' on transport finance

By Kevin Brown, Transport Correspondent

CONSTRUCTION companies are "decidedly cynical" about the prospects for private financing of transport infrastructure projects, says a report published yesterday.

The report by Industrial Market Research for Touche Ross, the accountants and management consultants, provides further evidence that the Government's attempts to promote big private road projects are not likely to succeed.

The report identifies the level of risk in private sector projects as the main factor inhibiting construction companies from taking a stake in transport projects.

The tendering costs for big projects can be more than £1m, and contractors do not regard this as worth paying when they will be competing with four or five other companies, the report says.

It also confirms that contractors are worried about the lack of intellectual property rights over ideas put to the government which are subsequently put out to competitive tender.

The Government argues that this procedure is essential to ensure value for money for taxpayers. But the report indicates that contractors resent taking the risks of concept design and evaluation for projects which may be built by another company.

The report says contractors would have to achieve high rates of return, a quick payback time or other spin-off benefits to tempt them away from the existing public sector projects where they are involved.

All the big contractors expressed grave doubts about the potential returns from private sector projects, and all but one were sceptical of the viability of private roads.

Banks have run down their project finance groups because of the lack of perceived opportunities, and most believed they faced even greater risks than the contractors.

Private Sector Investment in Public Sector Infrastructure, free from Department R100, Touche Ross, Hill House, 1 Little New Street, London EC4A 3TR.

New home loans hit record

By David Lascelles

NEW mortgages amounted to a record £40bn last year, up from £29bn the year before, according to the first edition of a new Housing Finance fact Book published by the Council of Mortgage Lenders.

The total home loans debt outstanding at the end of the year was about £222bn, a rise of 21 per cent on the previous year.

One reason for the sharp rise was the rush by unmarried couples to beat the government's changes in tax relief which took effect from August 1 last year.

The tax rule change meant that such couples could not take relief on more than £30,000 of any single home loan, where they previously could each take relief on that amount.

● Welsh Water has agreed a six-year revolving credit line worth £450m arranged by National Westminster Bank and syndicated among 40 banks

Party decides on title of 'Liberal Democrats'

By Ralph Atkins

THE SOCIAL and Liberal Democrats, the centrist party formed from the alliance of the Liberals and part of the Social Democratic Party, yesterday to end long-running confusion over the party's name by adopting the short title of Liberal Democrats.

A postal ballot showed 70.7 per cent of members in favour of the title, against 29.3 per cent for the alternative of Democrats, with 43 per cent of members voting.

Party leaders hope the decisive vote will end the internal dispute about the party's name and allow them to concentrate on reversing recent poor opinion poll results.

By including the word Liberal, members have bowed to pressure from MPs in the former Liberal Party anxious to keep the spirit of their old party alive when it combined with the parts of the Social Democratic Party which ignored calls from Dr David Owen, the SDP's leader at the time, to resist merger.

Mr Paddy Ashdown, the Liberal Democrats' leader, has previously argued for using Democrats as a day-to-day name. He avoided a damaging row at last month's annual conference by keeping the issue off the agenda and promising to ballot the party's 84,000 members.

He said yesterday: "The members' ballot has now closed this previously controversial issue once and for all. We are the only party in Britain that is prepared to allow our members to take these important internal decisions."

Mr Graham Elson, general secretary, said: "It will end the confusion factor. The days of alphabet soup are over. We are now the Liberal Democrats".

Even if the party successfully buries its disagreements, it faces an uphill struggle to regain support among voters. Recent opinion polls have put it on about 5 per cent – ahead of the SDP, headed by Mr David Owen, but lower than the Greens

UK NEWS

Industry output rises to reverse downward trend

By Patrick Harverson, Economics Staff

GROWTH in British industrial output improved marginally in August, reversing the downward trend established in March of this year, official figures indicated yesterday.

Provisional figures for retail sales volume in September were also published yesterday, showing that growth was flat over the past month, but well down on last year.

Analysts said that the two sets of data indicated that economic activity, while slowing under pressure from high interest rates, was proving more resilient than the Government had anticipated. They said that the figures did not suggest Britain was heading for a recession.

The Central Statistical Office said yesterday that its index of manufacturing output rose a seasonally adjusted 1.5 per cent in August, after a revised 1.4 per cent increase in July. Output in August was up 3.9 per cent on the same month a year ago.

Over the three months to August, the CSO said that manufacturing output was 1 per cent higher than in the previous three months, and 4 per cent higher than during the same period in 1988.

CSO statisticians said that their estimate of the underlying growth in manufacturing output was 4 per cent, the same as last month. This was the first month since March that the CSO has not reported a ½ per cent fall in estimated underlying growth. However, growth this year remains well down on the 7 per cent growth achieved last year.

The CSO said its index of total production, which includes energy and manufacturing industries, rose ½ per cent in the three months to August, but still stood ½ per cent lower than the index a year ago.

Total output continues to be *distorted by the loss of oil and* gas production caused by last year's disaster on the Piper Alpha oil platform and other shutdowns of North Sea platforms. Although there was a significant recovery in oil production during the past three months, the output of the energy sector in August was *down 12.5 per cent* on a year ago.

The CSO's index of manufacturing production was a provisional 120.0 (1985=100) in August compared with a revised 119.2 in July. Its index of total production was 111.1 compared with a revised 109.5 in July.

MPs prepare to broadcast to the nation

By Ralph Atkins

MEMBERS OF Parliament take the first steps towards television stardom today when the House of Commons returns after the summer recess. But viewers will not be able to see the show for another month.

Trials of the newly installed TV cameras and lights will start at 2.30pm with question time. The operators have two weeks to practice shots and adhering to the strict rules laid down by the House of Commons committee on broadcasting.

From November 1 pictures will be available in members' lobbies and for TV stations' pilot programmes. The House goes live on at the official opening of Parliament on November 21. The House of Lords is already broadcast.

Engineers have worked throughout the summer to overcome technical difficulties and the whims of MPs. At a press briefing yesterday House of Commons officials said that the project had been completed on schedule.

Among the first subjects to face the eight specially designed remotely controlled "pan and tilt head" cameras will be Sir Geoffrey Howe. The Leader of the House will stand in for Mrs Margaret Thatcher at Prime Minister's question time while she is in Kuala Lumpa.

Above him will hang eight chandeliers. Each is fitted with six 500 watt lightbulbs and covered with a diffuser, making them appear like overgrown melons.

MPs were anxious to avoid adding to the heat and glare in the chamber, although the absence of sidelighting could cast shadows on members' faces. The cameras can also provide still photographs.

Members have laid down procedural rules about what will be supplied to television stations by Broadcast Communications, the company that won the contract to provide a "clean feed".

The basic shot will the "head and shoulders" of speakers. But the position of the cameras means that for some backbenchers this will extend to the navel. Wider shots will be needed if speakers sway from side to side, officials said.

In cases of gross disorder in the chamber, cameras are expected to fix on the speaker's chair - although how gross the behaviour has to be is as yet undecided. Reaction shots or "cutaways" are also forbidden - unless a member is specifically mentioned by the MP speaking.

Wide-angle shots of the chamber will be permitted between speeches, giving viewers some impression of the number of members attending. But panning of the front benches will not be allowed.

Despite the restrictions, television stations have enthusiastically lined up new programmes featuring the chamber.

Acid rain prevention may cost £25bn

By Maurice Samuelson

PREVENTION of acid rain pollution from power stations and heavy industry is expected to cost £15bn - £25bn by the end of the century, the International Energy Agency said yesterday.

But the investment is not likely to make any major impact until after the year 2000, says a forthcoming report by the Agency's London-based coal research unit which said it expected coal to remain the major fuel choice for electricity production.

It also says that coal will remain the predominant power station fuel, despite the environmental costs and competition by natural gas.

The IEA estimates that more than 1,000 GigaWatts (1 GW = 1,000 MegaWatts) of existing and firmly planned coal-fired plants are subject to agreed international regulations on sulphur dioxide emissions and that proposed new legislation, especially in the US, could significantly increase the capacity subject to controls.

But so far sulphur control regulations have had only "minimal" impact on coal use and changes in relative fuel prices over the last 10 years have been far more significant in determining the level of coal use. Of the 20 countries covered by the report, eight had sulphur scrubbing systems in operation by the end of last year.

Most of the anti-sulphur controls have been installed in the US, which has 242 scrubbers running, followed by West Germany, Austria and Japan. In the UK and Italy local clean-up plans are subject to uncertainty over the prospects of building new power stations which would incorporate the desulphurisation capacity.

Market Impacts of Sulphur Control, by Dr Jan Vernon, IEA Coal Research, Gemini House, 10-18 Putney Hill, London SW15 6AA. No price.

BT rivals link up to assault UK private payphone market

By Terry Dodsworth

A GROUP of the UK's leading retail and leisure companies is linking up with Mercury Communications and GPT, the country's leading telephone equipment manufacturer, to launch an assault on British Telecom's payphone business.

The Paytelco organisation is aiming to install 62,000 pay telephones on private premises such as shops and petrol forecourts over the next five years. The partners would not disclose the investment costs for the new service yesterday, but each of the payphone units will cost around £1,000.

Mercury Communications, the licensed competitor to British Telecom's basic service, will provide the telephone lines for the Paytelco partners. But Mercury will continue with its own payphone programme, which is aimed at installing about 1,000 public boxes by Easter next year against 350 today.

Under the consortium arrangements, Paytelco, a subsidiary of GPT, will manage and promote the new service. All the boxes will be operated by prepaid Mercury cards rather than cash, with a credit card option.

The site providers, initially Boots, Shell, Trust House Forte and Associated Leisure, are all committed to selling Mercury cards near a telephone unit.

Many of the sites will be indoors, with Boots planning to install units in 200 of its main pharmaceutical stores, and Associated Leisure in a large number of its holiday, bingo and casino centres. Trust House Forte will be putting the phones in its roadside restaurants such as the Little Chef and Travelodge chains, and Shell is aiming at installation in all of its 3,000 petrol stations.

If Paytelco reaches 62,000 target new payphone sites, it will still have much smaller network than BT, which has 310,000 private rented sites, and another 87,000 public payphones.

However, Mr Alex Findlay, general manager of Paytelco, said yesterday that the company was confident it could compete effectively with BT, partly because its prices will be substantially lower. Mercury's payphone service undercuts BT's by varying degrees depending on the length of calls, but its international tariff is reckoned to be about 18 per cent cheaper.

Retail sales growth static in September

By Patrick Harverson and Maggie Urry

FRESH EVIDENCE that the Government's policy of high interest rates is dampening consumer demand was provided yesterday when the latest figures for retail sales volume showed that growth stood still in September.

Provisional retail sales volume in September rose a seasonally adjusted 0.4 per cent for the second consecutive month, according to the Central Statistical Office. On an annual basis, retail sales volume is growing at a rate of 2.2 per cent, compared with the 6.5 per cent annual growth achieved in 1988.

However, the 1.25 per cent increase in retail sales volume between July and September of this year was the lowest three-monthly rise since June 1982.

The figures reinforced the findings of yesterday's Confederation of British Industry/Financial Times distributive trades survey. Those showed that retail sales growth in September had changed little compared with the first half of this year.

Retailers said yesterday that September had been a slightly better month than August, but that it was more a matter of sales stabilising than recovering.

Mr Richard Weir, director-general of the Retail Consortium, a trade body, pointed out that since the September figures were compiled there had been another interest rate rise. He said the atmosphere of crisis in the stock market also unsettled consumer confidence.

Retailers suffering most continue to be those selling home furnishings, electrical goods and domestic appliances. Fashion sales had been poor in the summer but there were some signs that the autumn season had started better.

However, some shops appear to be relatively immune from difficult trading conditions. Food shops have continued to see sales increase, as have retailers of other "small ticket" items such as toiletries, newspapers and magazines.

One retailer said that only 40 per cent of households had mortgages. Those were the people most likely to buy expensive household goods and were most affected by the interest rate rise. Other consumers have been enjoying rising wages and are continuing to spend, unaffected by rises in mortgage costs.

Shopkeepers are increasingly nervous about Christmas trading and Mr Weir said that this year he expected Christmas sales not to set a record for the first time in many years.

The CSO's seasonally adjusted index of retail sales stood at a provisional 122.1 (1985=100) in September, compared with 121.6 in August.

Contracts imposed on family doctors

By Alan Pike, Social Affairs Correspondent

MR Kenneth Clarke, Health Secretary, yesterday began the parliamentary process of imposing on family doctors new contracts which they have overwhelmingly voted against.

Dr Michael Wilson, chairman of the British Medical Association's general medical services committee, responded by accusing Mr Clarke of "squandering the goodwill" of the medical profession, and of displaying "an addiction, almost a fetish" for controversy.

The committee of the BMA, the doctors' main professional association, will meet on Thursday to consider its response to Mr Clarke's decision to introduce regulations imposing the contracts on general practitioners from next April. It will have before it a document from a sub-committee setting out a series of tactics which doctors might adopt in response.

These range from what Dr Wilson described as the "last resort" *possibility* of GPs resigning from the National Health Service, to the most moderate alternative of accepting the contracts and allowing time to prove the doctors' view that they are unsatisfactory. Other options will be considered, such as refusing to co-operate with administrative changes arising from the contracts.

BMA leaders reached agreement with Mr Clarke on the contracts in May, but a national ballot of GPs produced a heavy vote against accepting them.

The contracts which Mr Clarke intends to introduce reflect the changes which he agreed in talks with the BMA – but his action in imposing them will bring him into renewed confrontation with the medical profession just as he is about begin the task of introducing the Government's other proposed NHS reforms.

Like the other NHS reforms proposed by the Government, the GPs' contracts are intended to make the health service more efficient and reward doctors whose services are attractive to patients.

Mr Clarke said yesterday that there had been big changes in consumer expectations over the past 10 years. People were increasingly demanding the right to chose high quality services, and this applied as much to the services patients received from GPs as anything else.

The new contracts sought to achieve "a family doctor service which is consistently more patient-friendly and where there are proper incentives for all *doctors to* reach the standards of the best."

The contracts will introduce new target payments for immunisation and screening and encourage GPs to offer services in ways which are appealing and convenient to patients. Simplified arrangements for patients wanting to change GPs will be introduced next month.

GPs fear that the contracts – which will increase the proportion of their income derived from the number of people of their lists – will reduce the amount of time available for individual consultations. Mr Clarke rejects this.

UK NEWS

Sizewell: a view from the beach

David Green looks at efforts to lay the ghost of Three Mile Island

WHEN Pat Hogan takes her four children for a quiet walk along the beach at Sizewell in Suffolk, on the English east coast, she usually heads south.

North lies the construction site of Sizewell B, Britain's first pressurised water reactor (PWR) nuclear power station, one of four plants planned to be operational before the year 2000.

Mrs Hogan admits to still walking northwards occasionally to gaze at the busy building activity, even though this means having to pass along a 600 yard stretch between two 8ft high fences topped with barbed wire.

The footpath corridor runs through the main building site and beach works associated with construction of an inlet pipeline which will carry sea water to be used to cool the reactor.

Sizewell is a small fishing hamlet of fewer than 20 homes. Situated within the Suffolk Heritage Coast and an Area of Outstanding Natural Beauty, it includes some former coastguard cottages, a pub and a holiday caravan site.

The skyline to the north is already dominated by the bulk of the Sizewell A nuclear power station, a Magnox plant which was built in the late 1950s and early 1960s.

It is more than 30 months since the bulldozers arrived to carry out preliminary work for the B station.

Sizewell B was given the go-ahead by the Government after a 27-month long public inquiry which began four years after the accident at one of the two Westinghouse PWRs at Three Mile Island, Pennsylvania, USA.

Sizewell B was based on the Westinghouse design and the inquiry in Britain provided the corporation with an opportunity to restore worldwide confidence in the safety of its PWR.

The future of nuclear power in Britain hung on the outcome of the inquiry because a rejection on safety grounds would have dealt a devastating blow to the industry. It would also have influenced decisions abroad where Westinghouse was trying to develop new markets following the halt in construction in the US.

The plant is now rising from its heavily concreted foundations, sunk into an excavated crater, at one point only 100 yards from the North Sea. A Sizewell C station, also a PWR, is at the planning stage.

Local people such as Mrs Hogan have got used to the noise of pile driving, the all-night floodlighting and the presence of cranes, one of them Europe's tallest, towering 350 feet above the site.

Each month residents take any complaints they have to a meeting with officials of the Central Electricity Generating Board (CEGB), owners of the nuclear site.

"Our experience so far is that the board is doing its best to solve problems," said Mrs Hogan, whose husband is a local fisherman.

Mr Michael Doy lives in a terrace of cottages closest to the nuclear site and manages a men's outfitters in the nearby town of Leiston. He believes the noise and disturbance are unreasonable.

He and Mrs Susan Seabrook, who runs a tea hut on the beach, say the project is having an unacceptable impact on the area, despite the £1m a month being injected into the local economy for goods and services. Of the 2,250 working on site, just over half were taken on from the East Anglian community and live within daily travelling distance from the site. The other half of the workforce lives locally in a purpose-built hostel on the Sizewell site and in local guest houses.

Although the construction programme at Sizewell has slipped only six weeks, the estimated cost of the power station has gone up by 10 per cent, to £1.86bn, fulfilling the forecasts of objectors who took part in the 27-month long Sizewell B inquiry.

The £170m increase is being blamed mainly on late design changes, the unforeseen complexity of some work and the escalating price of the computer-based reactor controls and instrumentation systems.

The need for design changes has come as a surprise. Detailed plans, based on the US Westinghouse design, were well developed by the time construction started. The CEGB had cited this rate of progress to back its claim that there would be no significant cost increases.

Finding skilled civil engineers and craftsmen has proved a problem in the early stages of building Sizewell B. The CEGB has had to look overseas, to the European mainland and to Malaysia and Australia, to fill vacancies.

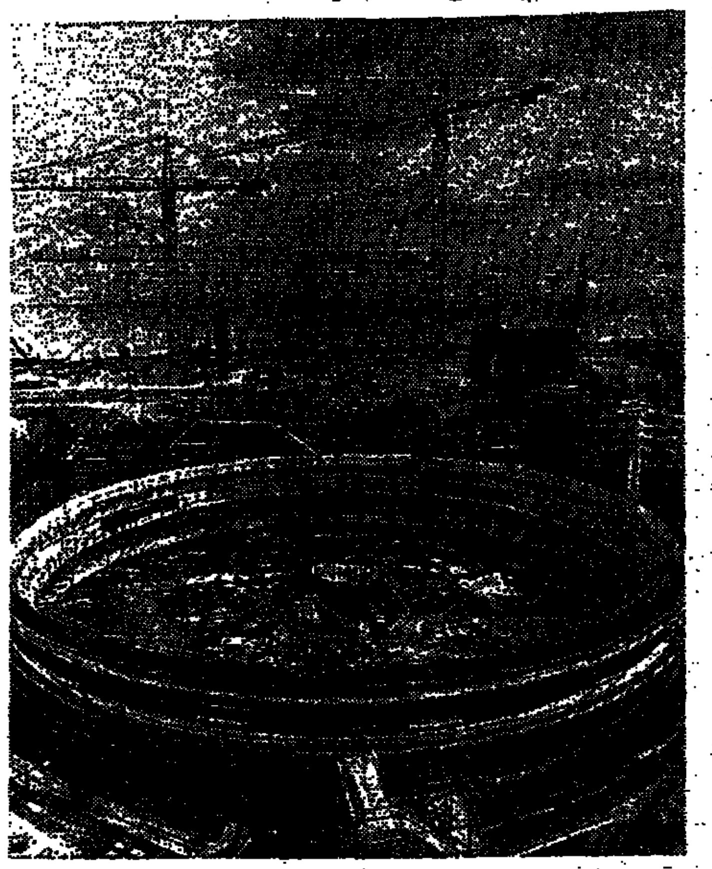
There are currently 2,250 workers on site, most of them employed by John Laing Construction, the main contractor.

If the target is achieved, fuel will be loaded into the reactor in December 1993 and the power station will be commissioned in May 1994. It will be capable of generating 1,175MW of electricity.

The CEGB's record at Sizewell, in terms of construction progress and local environmental effects, has been closely monitored by opponents of plans to build a PWR at Hinkley Point in Somerset.

Disclosure of the Sizewell cost increase has resulted in an adjournment of the Hinkley public inquiry until November 7, giving opponents time to consider a response.

The CEGB claims the increase is largely associated with building the first of a series and that the capital cost of Hinkley will rise by only 3-4 per cent.



A scale model of the pre-stressed concrete dome that will envelop Britain's new series of nuclear reactors has successfully withstood more than twice its design pressure, in a £500,000 test programme, writes David Fishlock.

The dome, a conspicuous architectural feature of the Sizewell B nuclear station pictured above during construction, is intended to contain any leak from the nuclear steam supply system.

The test was made on a model 7 metres high, weighing 125 tonnes when filled with water for the pressure test. It was built at the Taywood engineering laboratories in west London, in a joint venture by Taylor Woodrow and Sir Robert McAlpine.

The test programme was witnessed by the Nuclear Installations Inspectorate, the government's nuclear safety agency, and the Nuclear Regulatory Agency of the US, as well as by French and Japanese electricity industry executives.

TECHNOLOGY

Lynton McLain reports on the growing need to build products so they can be recycled

Designs that believe in an afterlife

Rag and bone men were heroes before their time. They sorted and reused waste in a world where products are not designed for recycling.

Manufacturers, generally, have not been interested in designing products so they can be recycled, or even disassembled, where materials and parts can be separated easily after use. The result is waste and extra costs.

To stimulate discussion of the subject, the Design Council has called a meeting in London later this month to set guidelines on recycling for designers and manufacturers. It will also seek ways of improving the availability of information on other environmental topics for designers.

The meeting comes 20 years after the Design Council first raised the recycling issue at an exhibition in London. Another exhibition, planned for the end of next year, will focus on how industry can design products to be more recyclable. The council says "there is very little design for recycling at present," and claims the idea will only work if systems exist to manufacture products which can be made over again.

The Design Council promotes design in British industry on behalf of the Department of Trade and Industry, which will be represented at the meeting. Others attending include the Chartered Society of Designers and the Business Design Association. A strategy group for recycling was formed last month by Government departments, industry and Friends of the Earth to set targets for increasing the amount of material that can be recycled in the UK.

The council says one of the reasons for holding the meeting is the increasing number of countries which have laws for "green" environmental issues. "The growing green market is a competitive pressure and UK industry should not be put at a disadvantage," the council says. "There is a danger that British industry would be prevented from competing in these markets if its products do not conform."

Already, West Germany has a scheme for labelling environmentally benign products. Some products carry financial penalties if recycling has not been taken into account in their design. It is likely that the UK Government will propose recycling measures in the Queen's Speech next month. It has already proposed that the European Commission move towards a European labelling scheme for environmentally safe products.

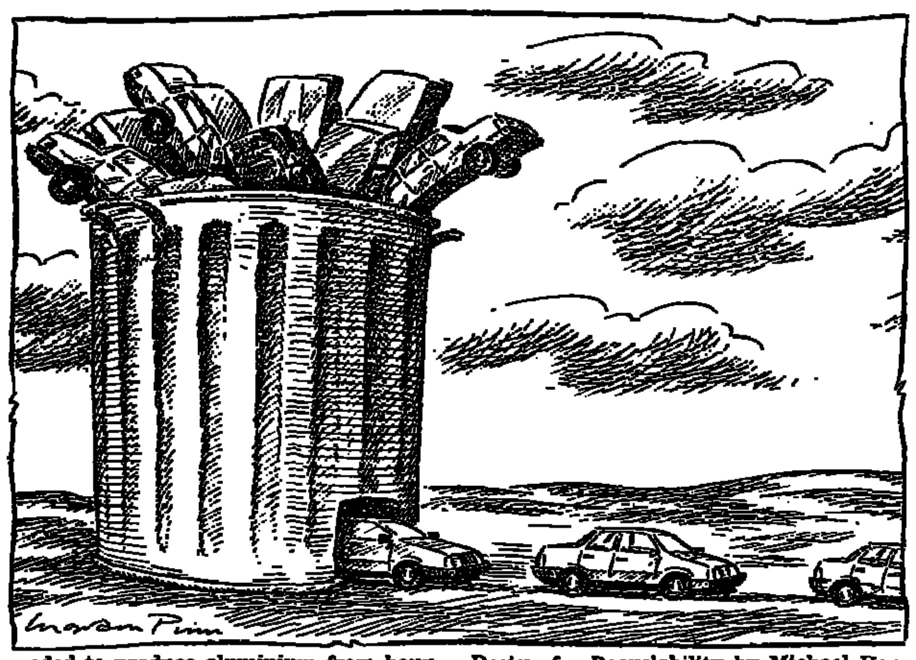
Denmark bans containers for beer and soft drinks that cannot be recycled and refilled. Danish brewers export their beer in cans that cannot be refilled, but other countries are not allowed to export their drinks to Denmark in containers that fail to meet these standards. The UK considered this a non-tariff barrier to trade, but the European Court of Justice upheld Denmark's action in a ruling last year.

The recyclability problem ranges from the simplicity of the drinks can to the complexity of the motor car. Initiatives are being taken in both sectors. Volvo, the Swedish car manufacturer, is planning to take account of the environmental impact of its cars and lorries from drawing board to scrap heap. This is the first time the recycling issue has been included in a car company's strategy.

The aluminium or steel drinks can is one of the few products where recyclability – though so far not a refill capability – is inherent in the design. Cans which are easily recyclable consist of single metals. They can be turned into metal ingots without the complications of other materials. Some 41 per cent of the beverage can market is made of aluminium. But 59 per cent consists of a combination of tinplate, zinc and aluminium. British Alcan Aluminium, the main producer of pure aluminium in the UK, predicts that by the end of 1990 the proportions will be even.

More difficult is the problem of co-ordinating the collection of used cans. British Alcan Aluminium is considering "the most commercially acceptable way of recycling cans." Used cans are worth around £500 a tonne, the equivalent of 30p for 50 cans. Already 40 per cent of all aluminium used in the UK comes from recycled metal.

Because aluminium is in relatively short supply, one of British Alcan Aluminium's aims is to find "a new source of recycled aluminium." Only 5 per cent of the energy needed to produce aluminium from bauxite, its raw material, is required to recycle aluminium. The company plans to invest £20m in Europe's first used drinks can recycling plant, to be built at the British Alcan Alloy works at Latchford Locks, near Warrington. It will process up to 50,000 tonnes of used cans each year.



Alcan has three can recycling plants in the US. The British site was chosen because the UK has the fastest growing market for drinks cans in Europe. The forecast of 70,000 tonnes next year in the UK is expected to double over the next decade.

Motor cars, on the other hand, have been designed with little consideration for the recyclability of their constituent materials. Old cars end up as crushed cubes of mixed metals, glass, rubber, plastic and cloth. Some scrap merchants recover and sell used car components. But according to Design for Recyclability by Michael Henstock of the University of Nottingham, three quarters of the components on a car are doomed to be scrapped.

This may not be the case much longer. Volvo, the Swedish car and truck maker, issued an environmental policy statement to its staff in September. Apart from expressing the company's general concern of achieving "maximum environmental safety, through genuinely effective control measures," the statement heralds the prospect of Volvo cars being designed for recycling.

The statement says: "Our environmental policy is concerned not only with this aspect, (maximum environmental safety) but with the entire life-cycle of the product from conception to design, production, use and final disposal. Ultimately, all the materials which we use will be the safest available in terms of environmental protection." Also, manufacturing processes will have to have the least possible impact on the environment, Volvo says.

"Our objective is to promote the exclusive use of materials which are as environmentally safe as possible – a condition which will also be imposed on our suppliers." The company "pledges to select environmentally compatible and recyclable material in connection with the development and manufacture of our products, and when we purchase components from our suppliers."

Volvo says its environmental policy "is binding equally on its worldwide subsidiaries and its component suppliers." Pehr Gyllenhammar, the chairman and chief executive of Volvo, says "the car cannot be allowed to be an end in itself. We have to make it clean and plan its use more efficiently."

To ensure that the environmental policy statement is adhered to throughout the company, Volvo has set up an internal environment audit. The Volvo group of companies will have to include in their planning programmes a description of any environmental measures for production and products they plan to take.

Theodor Tschopp, the chairman of the European Aluminium Association and executive vice-president of Alusuisse, the Swiss aluminium company, says the day will come when car junk yards disappear and Europeans insist that all their new cars be made from material which can be recycled or disposed of without harm to the environment.

There might be a "disposal fee" placed on materials which do not meet the criteria, Tschopp says. Aluminium should also achieve a greater slice of the market. The average European car uses only about 40kg to 50kg of aluminium but over 1,000kg of iron.

General Motors is about to launch its Lumina car with an all plastic body on a metal frame. Still, this is not yet a recyclable car. The plastic is sheet moulded compound and the plastic cannot be recycled, only dumped or burnt.

Hester Thomas assesses two new rail ticketing and reservation systems in England and France

Express service before the train pulls out

Passengers purchasing Intercity rail tickets over the counter at Reading and Carlisle stations in England are being treated to the latest ticketing and reservation technology.

Until recently, InterCity (British Rail's long-distance passenger network) had three independent systems handling ticket sales and reservation enquiries: the telephone, the travel centre and the ticket office. The process of going from enquiry to reservation to ticket purchase was lengthy, with sales clerks using various sources to complete transactions.

But in Reading and Carlisle, a workstation at the ticket counter is linked to the central reservation system (CRS). Reservations are made at the same time as an all-purpose ticket issuing machine (Aptis) prints out the ticket. The workstation has access to a computer-aided timetable enquiry system (Cate), which uses various parameters to suggest the best route and train times.

CRS and Cate were developed by BR's information system and technology department, which has between 600 and 700 staff. CRS can be accessed by several terminals, including the Opus PCIII, Videcom and Viewdata. The Aptis hardware and software was produced by Thorn EMI. BR also developed software to allow the transfer of information from Aptis to BR's management system.

A customer enquiry can be dealt with in two seconds by Cate; a complicated request for information in a maximum of 30 seconds. InterCity's aim is to integrate the systems into one set of equipment so passengers can go from enquiry to reservation and sale in one transaction. It expects to complete that system by 1991 when the new east coast main line electrification scheme begins operating.

How quickly the equipment will be extended throughout the country is still undecided. But InterCity sees 1993 – the opening of the Channel Tunnel – as the date when it must have a well-tested, flexible system to market new types of tickets and fares.

Shorter transaction times mean that queues move faster. InterCity has determined that passengers tolerate queuing for three minutes, become frustrated after five minutes and angry for any time after that. Passengers who judge that they will have to wait for 10 minutes or more often decide to purchase a ticket on the train – or not purchase one at all.

For British Rail employees, the new system makes the transaction *simpler and less stressful.* Although the number of customers reserving seats varies according to the day of travel, the route and direction, about 10 per cent of customers book seats on the west coast main line service and between 25 and 30 per cent on the east coast main line. InterCity believes the system will encourage people to make reservations more often; promotional offers will also be easier for the company to organise.

Whereas BR developed its own system, France's national rail body, SNCF, has chosen an electronic reservation system developed for use in the airline industry. SNCF recently announced its purchase from American Airlines, for FFr 1bn (£100m), of the Sabre software system.

SNCF will adapt Sabre into its own reservation system, to be called Socrate. It will be introduced at the end of next year and should be fully operational for the launch of the TGV Nord and the Channel Tunnel.

Like InterCity's system, Socrate will offer information, sales and reservations. It will also offer car hire and accommodation through SNCF's chain of hotels.

Socrate will be capable of 800 transactions per second compared with the current system's 20. SNCF is already considering leasing or selling it to other railways.

Its introduction will presage great change for SNCF; 2,000 sales machines will be replaced and *10,000 staff trained to operate the* system.

SNCF plans to link Socrate to a global distribution system (GDS), which travel agents use to book transport and accommodation for clients. It has announced an agreement with a GDS called Amadeus, which is currently under development.

Amadeus is owned by a consortium of European airlines and should be operational by 1991. Travel agents using the system will be able to access Socrate and offer clients a complete air, rail and hotel reservation and ticketing service. The system will also make SNCF tickets more widely available.

Tony Hines, systems strategy manager for British Rail's passenger retail systems group, says: "BR is actively considering its position in relation to GDS systems."

In the meantime, InterCity has decided to offer a more specific product range. "We're concentrating *on marketing rail products and* not dissipating our effort," says Tony Hines.

Changing the ticketing and reservation system may have big repercussions for British Rail's retailing outlets. With services available through workstations at ticket counters, InterCity could dispense entirely with travel centres.

Reading's new retail area, with its modular units, is likely to be the blueprint for new ticketing outlets. InterCity passengers will be faced with the prospect of a rapid retail service provided in a pleasant, well designed environment.

When business is a play in four acts

Charles Batchelor reports on a theatrical approach to solving companies' problems

One hundred and twenty managers from small and medium-sized firms in east London and Essex took a morning off work last week to go to the theatre. They went not to the West End but to a travelling stage which had been set up in the training centre of the Ford Motor Company in Dagenham.

The morning's entertainment consisted of four playlets dramatising management problems in a fictional small firm. Professional actors played the parts of managing director and four other senior managers in a manufacturing business fighting off tough competition from a West German rival.

As the action progressed the management team went from an attitude of bitter internal rivalry to one of harmonious cooperation. Between the playlets the audience and an expert panel of three businessmen familiar with the problems being portrayed were encouraged by the compère, television presenter Cliff Michelmore, to discuss the issues which were raised by the boardroom drama.

Management training has moved a long way in recent years from "talk and chalk" to being a more participatory experience for the learner. But rarely can showbiz techniques have been applied so extensively as in the programme of Management Action Briefings which are being run by the Department of Trade and Industry (DTI).

"The briefings are deliberately high profile and are original in their styling and approach," says John Cammell, an official in the DTI's manufacturing and information technologies division. "It catches the audience's imagination. The enjoyment level is high and people are buzzing afterwards."

The idea for using actors to dramatise management issues came from a London-based business communications agency HP:ICM. The combination of actors, presenter, expert panel and audience participation represented the most ambitious use of the technique ever tried by the agency, according to Nigel Lloyd-Jones, a director.

The travelling stage is deliberately erected in an industrial setting rather than an hotel or conference centre to emphasise the programmes practical aims. There has apparently been no shortage of large companies such as Electrolux, Perkins Engines and British Aerospace keen to offer a site for the briefings.

"IS THIS AN AUDITOR'S REPORT I SEE BEFORE ME?"

The first of the playlets begins with the managing director just returned from Germany with the prospect of a large contract. To be in with a chance the company must cut its production costs and overheads. The design, quality, production and purchasing managers are all at loggerheads. The production manager in particular reacts defensively to suggestions from his colleagues that manufacturing performance can be improved.

When Michelmore calls for comments it is obvious the dramatised boardroom scene has caught the audience's imagination. One manager had similar problems with a production manager. Attempts to create a more co-operative atmosphere failed and the man finally left. Another member of the audience, himself a production director, defends his fictional counterpart. If he were given more backing and more money he could improve production performance, he suggests.

Playlet two shows the beginings of an improvement. The managers are discussing the merits of buying in a component instead of making it themselves. Purchasing, design and quality are working better together but production is still the odd man out.

The next playlet shows the fictional company taking a hard look at all its suppliers, dropping some and reaching firm supply agreements with others. It has begun a training scheme for its apprentices and has used outside consultants to help with design work it cannot do in-house.

In the final act of the drama the large contract has been won, the company is starting to think about long term planning and the entire management team - including the production director - are on amicable terms.

The fictional managers have achieved a spectacular improvement in their attitudes and performance in the course of the four playlets. For the audience though, the learning process should be just beginning. Michelmore has prompted them throughout to consider the broader implications of what is going on on stage. The DTI's hope is that by dramatising their problems - and showing they are common to many other small firms - they will be encouraged to overcome them.

Ninety per cent of managers attending earlier briefings have said they will go on to improve their performance though the DTI has yet to establish whether these good intentions have been turned into deeds.

At the lunch which follows the two-hour session managers say they found the use of "theatre" to put over a management message was effective. One says the session has reminded him of the importance of communicating with his workforce while another says it had reinforced the importance of quality. A third, however, sees little point in promoting an increase in staff training when, in the south-east, the main problem is one of finding the staff in the first place.

The DTI is half-way through a programme of 25 briefings to be held around the country this year. If, as planned, they attract an average of 170 managers from local small and medium sized firms, they will be attended by 4,250 people in all.

This represents only a tiny fraction of the 1.5m small firms in the country but Cammell believes the programme is reaching a large slice of growth-oriented businesses.

At a total cost of £700,000 (£300,000 of which comes from Lloyds Bank) the briefings are not cheap but the DTI sees them as the "flagship" of its Managing into the '90s* programme. They are intended to introduce managers to the more conventional parts of the programme, which includes visits to companies which demonstrate best practice, a mobile demonstration unit and management workshops.

Managing into the '90s highlights four areas in which smaller companies tend to be weak: design, quality, production management and purchasing and supply. It represents a move at the DTI away from providing advice and training on technical problems to giving assistance with management issues.

It also reflects a shift on the part of the DTI to helping business deal with broader strategic questions and away from providing a range of disparate solutions for isolated problems. As the playlets demonstrate, issues such as design, production and quality are interrelated and management teams must cooperate to solve them.

** Managing into the '90s, a 40-page explanatory booklet, is available free from DTI offices.*

Keeping it in an enlarged family

Charles Batchelor examines the attractions of the Employee Share Ownership Plan

Lucas Furniture Industries, a 90-year old manufacturer of office furniture based in the East End of London, believes it has found an answer to the problem facing many family-owned companies. Lucas, one of the last-remaining independent British furniture groups, has adopted an Employee Share Ownership Plan (ESOP) as a means of guaranteeing its future independence.

ESOPs involve the issue of shares to the management and workforce and are a means of both motivating employees and of putting shares into the hands of people who, in the event of a hostile takeover approach, will be favourably disposed to the company.

ESOPs were pioneered in the US in the 1950s and have attracted increasing attention in Britain in recent years. However, despite the publicity which has been given to the plans and government legislation intended to promote their use, Lucas is only the fifteenth company to arrange an ESOP. And while ESOPs have proved popular with the managements of newly-privatised companies and of buy-outs they have yet to catch on with the owners of old-established family companies. (Tullis Russell, a privately owned paper maker based near Glenrothes, Fife, is the only other family company to have enfranchised its workforce in this way.)

The problem facing Lucas Industries was one familiar to many family-owned businesses. It had 22 shareholders, some of them keen to realise at least part of their investment in the company, which employs 189 people and expects sales of £14m this year. While the company was not in need of outside capital the directors, headed by Paul Lucas, the chairman, felt the share ownership needed to be broadened, both to motivate senior management and the workforce and to secure the company's longer term future.

Jack Lucas, chief executive, reels off a long list of British furniture companies which have been taken over in recent years. "Their fate strengthened our resolve to maintain the company under our own control in future," he says.

Lucas considered staging a management buy-out but felt this would put too much equity in the hands of outside investors. These investors would probably expect to realise their investment after a few years which might have led to the sale of Lucas to another group or a public flotation.

So the company opted for an ESOP which will transfer 1m shares or 11.43 per cent of the firm's equity from existing family shareholders into the hands of the managers and the workforce. This percentage may be increased subsequently but for the foreseeable future the company will remain private and will continue to be controlled by the existing family shareholders, the management and the workforce. All of the original family shareholders have retained a stake in the company but they have been joined by two non-family directors and the trust which holds the ESOP shares.

Lucas Trustees has bought the shares needed for the ESOP by means of a bank loan which will be repaid as the shares are sold to employees. To get the scheme started Lucas will issue 150 free shares to each employee just ahead of the March 1990 year end and at the same time offer shares for sale from an annual allocation. The trust has seven years under the terms of the scheme to dispose of the shares to employees but it will probably not take so long.

Valuing shares in private companies is not easy and Lucas was not prepared last week to disclose a likely value for the initial share offering. But there will be an annual valuation carried out by the company's auditors, Peat Marwick McLintock.

All employees who have worked at least 12 months for the company will be eligible to buy the shares. They are immediately eligible for dividends but the trust retains the shares for two years before transferring ownership. Lucas hopes employees will want to sell the shares back to the trust if they leave but the Inland Revenue is opposed to restrictions on sales so the company cannot insist on this.

Despite the publicity which has been given to ESOPs, obtaining information on how to structure the arrangement was not easy, according to Michael Webster of Rowe & Maw, legal advisers, who, together with accountants Stoy Hayward, devised the scheme.

But if more companies like Lucas do succeed in arranging ESOPs it could emerge as an alternative to the management buy-out as a means of securing the future of family businesses. Britain has proved the most receptive market in Europe for the ESOP though there is also interest in the Netherlands and France.

Continental European countries may be hampered by differences in or an absence of trust law, according to Susie Hughes, assistant director of the London-based ESOP Centre.* But if ESOPs catch on they could provide an answer to succession problems.

** 2 Ridgmount Street, London WC1E 7AA. Tel 01 637 4890.*

Credit objection

Small business owners object to paying a percentage of each credit card sale to the card company in commission and would prefer to pay a flat fee on such transactions, says The Forum of Private Business, a small firms lobby group.

More than 60 per cent of the 4,000 businesses polled by the forum rejected credit card companies' arguments for charging a percentage commission, the forum said.

Three out of every five forum members pay 4 per cent or more of the value of the transaction to the credit card company compared with large companies which pay less than two per cent, Stan Mendham, forum chief executive said.

The forum is calling for a flat fee to be charged to small businesses because they are far less able than larger companies to negotiate favourable terms with the credit companies.

Getting on their mark for 1992

Small and medium-sized British businesses have been more active in preparing for 1992 and the creation of the single European market than was previously thought, according to a recent survey.*

Half of the businesses questioned regarded 1992 as an opportunity compared with just 6 per cent who saw it as a threat. One in five businesses had established a board-level committee to deal with 1992 issues while almost as many had nominated an individual.

The chairmen and managing directors of 2,000 businesses with turnover of up to £200m each were surveyed. A "satisfactory" 10 per cent response rate was received with three quarters of respondents' businesses making sales of less than £50m. The survey was carried out by accountants Stoy Hayward and graduate students at Henley Management College.

Companies in the leisure and travel industry and in computers and electronics expect to benefit most from 1992 but only one in four of companies in the engineering and financial services sectors expect 1992 to be advantageous.

The three most favoured methods for achieving growth in the single market were joint ventures, which appealed to 34 per cent of respondents, mergers and acquisitions (26 per cent) and direct exports (24 per cent).

About 35 per cent of respondents had nominated an individual or created a committee to handle issues thrown up by 1992 while 10 per cent had established a task force or specialist unit. However nearly half said they had done nothing specific.

The companies said the areas in which they needed the greatest help were marketing, sales and corporate strategy.

The preferred sources of advice on 1992 included trade associations and Department of Trade and Industry, which provide their services for free or at a low cost. Accountants were favoured by 28 per cent of respondents followed by management consultants, banks and European Community agencies with about 15 per cent each. Marketing agencies and solicitors were each preferred by around 8 per cent of respondents.

** Approaching 1992. Contact Ben Coleman, Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel. 01 486 5888.*

Charles Batchelor

ARTS

Iping Trees by Ivon Hitchens, 1948

Landscape at the stroke of the brush

William Packer reviews Ivon Hitchens at the Serpentine Gallery

Ivon Hitchens, 10 years on from his death, is as hard to place as ever. There has been no painter quite like him, which is perhaps the chief difficulty: while his modernist tendencies towards abstraction were always apparent, his peculiar evocation of the landscape won the support of that wider British public that knows full well what it likes, but runs a mile from modern art.

The effect of such success was not entirely happy, for he was extremely prolific and there were long intervals when he seemed merely to repeat the formula. Here was a painter of the landscape, of a lush, intimate and very English kind; and with such popular support, how could any critic take him seriously? The sad thing is that the now-obvious affinity of his work, abstract or not, to the currency of abstract expressionism, was never allowed to his credit to win him the international critical recognition he deserved. He is a substantial figure, for all his idiosyncracy, and his proper consideration comes not before time.

Forty-five Paintings at the Serpentine Gallery (Kensington Gardens: until November 30 – then on to Edinburgh, Preston and York) is a small retrospective study, tightly and impeccably chosen by Alister Warman of the Serpentine and Caroline Collier of the South Bank Board. Its starting point is 1932, when Hitchens was already 39, for though he had completed his studies at the Royal Academy Schools just after the First World War and showed regularly through the 1920s, it would take him that further decade to come to himself as an artist. But by the early 1930s he was at last emerging from the influence of Ben and Winifred Nicholson and especially Christopher Wood, and was finding both his own touch and his essential subject-matter in the pools and close, dense woods of Sussex. In these early, delicate paintings, there is still the precious, close-toned *faux naif* simplicity of those friends and mentors, but already the surface is more loose and open in its texture, and the imagery itself beginning to unfold, to open out in Hitchens' characteristic lateral, multi-focal way. The brushstrokes are broad and sweeping, the paint itself full and lush, the imagery not so much unspecific as unspecified, suggestive, untied-down.

With the Holbrook Pool paintings of 1938 we have Hitchens, *mutatis mutandis*, as he would always be – a boat no more than a simple shape on water established by a few blobs and strokes; the eye then led along the simple serpentine rise and fall of the encroaching foliage, through light and shade, the play and flicker of light given by the interstices of unpainted canvas. To move on nearly 40 years into the far gallery, and to such works as the "A memory of Chichester from Old Humston" of 1975, and "In and Out Spaces" of 1977, is but to move to the farther end of the same road, or rather country lane or tow-path. The image may now be more general and sweeping in the statement, but is no less descriptive of the experience of the particular place, no less redolent of the essential sensation of the landscape. "In and Out Spaces" indeed might serve as succinct description of the entire oeuvre.

The heart of the show, however, that alone would give us the essential Hitchens, is the "Terwick Mill" group that occupies the gallery's central room. In 1944 and 1945 he made some 20 paintings of Terwick Mill and pool, on the river Rother near Midhurst, all taking more or less the same view, through all the changes of weather, light and season. He seldom worked in series as such, though he worked always close to home in the deeply familiar landscape. But here the result is the full, authentic statement of a personal vision, rounded and complete.

The wind blows through the trees; the clouds lower; the pool, sometime flat as the proverbial pond it is, is now ruffled by the weir on the far side; the day draws in. And all is done by deceptively few strokes of the brush, and with the subtlest simplicity and most disarming directness – a scumble here, a splodge, a broad stroke there. "I should like things to fall into place," he once wrote, "with so clear a notation that the . . . eye and "aesthetic ear" shall receive a clear message, a clear tune. Every part should be an inevitable part of the whole . . . I am not interested in representing the facts as such until this visual music has been created." And in this fine autumn, and in the Serpentine of all places, with its magical aspect out onto the Park, there can be no visual treat more richly satisfying than to see each element in these, the pick of Hitchens' paintings, falling ripely into place.

★

Mary Potter, who died in 1981, was seven years Hitchens' junior but, with the interruption of the War, was his contemporary as an artist, emerging from the Slade in 1921. And she too fell under the spell of the Nicholsons and Christopher Wood in her early career. Marriage, family and then the second War were natural impediments to her career, and she too was 40 before she truly found herself as a painter. Her intimiste approach, in technique and subject matter, kept her out fashion and any critical notice beyond her immediate circle, and it was not until the later 1970s that she received anything like her due.

Her paintings too are of the subtlest simplicity, close-toned, undemonstrative and undramatic, an all but indeterminate touch of paint serving to tease out the sensation of light and landscape and still life. A retrospective, organised by Oriel 31 of Newtown and Welshpool, Powys, has lately opened (until November 11, then on to Kendal, Bath, Norwich and Lincoln: supported by the Development Board for Rural Wales), which I shall try to see. But for the moment the New Art Centre (41 Sloane Street SW1, until October 21) has a group of her paintings of the 1970s, her last years, which stand among the most beautiful and extraordinary by any British artist of recent times.

Ghosts

ROYAL LYCEUM THEATRE, EDINBURGH

It was the Vanessa Redgrave Young Vic revival of *Ghosts* a couple of years back that alerted audiences to the renewed contemporaneity of a play about sexually transmitted disease. Oswald's "softening of the brain," his inheritance from the syphilitic Captain Alving, is the equivalent of physical degeneration as a result of today's HIV virus.

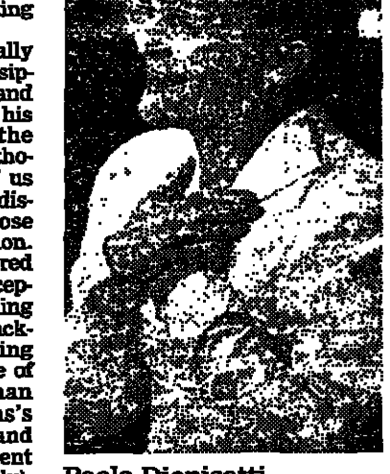
As the Lyceum programme reminds us, Edinburgh, a major centre for the heroin racket, has become the AIDS capital of Europe. It is estimated that one in every 100 males between the ages of 15 and 45 is HIV-positive. Robert J Carson's production, gloomy but sinewy, carries the full shock value without resorting to easy parallelism.

George Anton's seraphically wasted bohemian Oswald, sipping a crème de menthe and straining for the sun with his morphine capsules at the ready, is a fine study in pathological withdrawal. Most of us today know of AIDS, and disease-related, victims, whose tragedy is shrouded in evasion.

But *Ghosts* is a multi-layered artifact of secrets and deceptions. Everyone has something to hide, from Jonathan Hackett's bumptiously moralising Pastor Manders, much more of an English silly vicar than usual, to Kenneth Owens's darkly foreboding Engstrand and his sprightly subservient daughter Regina (Cara Kelly).

And here, the show starts with Paola Dionisotti as a pencil-thin, steely Mrs Alving sweeping reflectively across a scenic scrim before entering her house of cards and lies.

Kenny Miller's awkwardly cluttered design develops the mausoleum theme of his set for Hochhuth's *Judith* at the Glasgow Citizens. Its flimsy grey pillars are marked off with a garland-strewn inner canopy, lots of red-draped furniture, sofas and tables, and a mountainous vista. *Ghosts* is a stifling play; at the end there is hardly room to breathe. At the Lyceum, there is also limited room to manoeuvre. The point is well made but dodgily executed. Sight-lines are bad and some of the performance fails to carry across a curious scenic forestage of wooden planks.



Paola Dionisotti

The overall effect is slightly messy. But the main roles are occupied with stern assurance. Mr Hackett's Pastor is an experiment that sacrifices an inner, gloating nastiness for all-out comic hypocrisy. He wins laughter both loud and disbelieving, not least from Miss Dionisotti's patiently imperious and finally desperate Mrs Alving.

After the fire, the white dress is muddied and charred, her descent to the emotional mire delineated in a series of horrified exculpations. This fine actress, who combines the vocal and physical tenacity of Sheila Hancock with the bird-like fluttering of Maggie Smith, has never been better. She and Oswald, a pair of Oedipal wrecks, are finally isolated in the avenging consequences of the Captain's sins.

And what makes Ibsen so imperishably modern is not just the sympathetic examination of personal misfortune, but the impression, too, that *lies and cover-ups are infinitely* more reprehensible than physical frailties.

Michael Coveney

Play with Repeats

ORANGE TREE THEATRE, RICHMOND

On the smoothly upward curve in the graph of every budding career a little blip must form. At his home base of Richmond's Orange Tree Theatre, award-winning playwright Martin Crimp is blipping like a panicky life-support system.

There is nothing wrong in taking the notion of a J.B. Priestley time-play, impregnating it with a whiff of N.F. Simpson, a fleeting wisp of Muriel Spark and the inevitable dash of Pinter. The crime is not in claiming that life goes round in circles, but in making the journey there and back again so boring.

Oddball and loner, Anthony buttonholes a young couple in a pub on the eve of his fortieth birthday and talks of regrets. He visits a blind African clairvoyant and reveals details of his life: the bedsit too small to invite people back, the promotion that eluded him after 18 years of winding coils for high-quality loudspeakers, and the missed chance of a girl called Heather he once met at a temporary bus stop.

He refuses his longed-for promotion when offered ("It's not fear" is his constant assurance). He meets a girl called Heather at a temporary bus-stop, dances with and almost rapes her, determined not to miss the chance "this time". In the launderette he encounters the girl's tutor who gives him the card of an African clairvoyant. He buttonholes a young couple in a pub on the eve of his fortieth birthday and talks of regrets. (This time his more more cryptic utterances are explained.) The pattern is broken by sudden violence, but not soon enough to save the audience from effortfully suppressed habdabs at the prospect of going through the past two hours all over again.

Life is cyclical but out of sync with actual achievement. "What's meant to happen hasn't happened and what has happened wasn't meant to," explains Anthony. What is the point of accumulating wisdom when the events where it would be useful are passed, he asks, and waits all evening for an answer. So do we.

Sam Walters' production evokes the excellent playing one expects at this address, but cannot stir the ploddingly earnest dialogue into life. Thomas Wheatley at first seems too big a performer for the tiny space, but develops suitably for Anthony's combination of holy fool, born loser and sheer wimp, while Caroline Gruber is first-rate as the girl in the pub and the personnel manager at work, smiling enigmatically at the thought of the dead Anthony, not so much a wire-coiler as Atropos snipping a used-up thread.

Martin Hoyle

Terminus, Terminux

THE PLACE

Laurie Booth is, for my money, the most interesting performer among this country's exponents of free dance. From his own physical style – movement curling and flashing, oiled by extreme muscular control – he has evolved a clear expressive language. In earlier performances I have admired a whip-lash speed and ferocity that can alternate with a Noh-like serenity or moments when he threshes about like a landed fish, curving in on himself.

On Friday, in a contribution to Dance Umbrella, he was joined by Sally Doughty, Helen Stanley, Fin Walker and Nick Pile in a collaborative piece, *Terminus, Terminux*. But whatever the contribution of his colleagues, the work is stamped with Booth's muscular bravura and at its best provides fierce and uncompromising energy in a comment about individual isolation.

The adage that if after two minutes a dance has not gripped your attention then it never will, is a good rule. *Terminus, Terminux* is the exception that proves it. Divided into three "acts," and with a programme note which for once illuminates rather than obscures what is going on, it has an opening section of deliberate and over-stretched minimalism. The dancers perform small and idiosyncratic gestures, accompanied by projections (a wall; a face) and a wash of musical sound.

There follows a much stronger sequence in which the breakdown of relationships, the obsessions of individuals trapped within their own questions, is set in assertive and anxious dance. Movement is powerful and nowhere more so than in Booth's urgent, despairing performance. Finally, bandaged like apprentice mummies, the cast offer mime and movement about injuries, "rehearsing the role of victim," says the programme, and revealed as such with grotesque clarity.

Of course there are incomprehensible moments, not least in a spoken text, but the images are always intriguing, and Booth's persona – commanding, intense, and at times oddly vulnerable – is a guarantee of vivid dance interest. The piece stays bright in the memory, as do the skilled visual elements created by Lol Sargent, and the collage score by Phillip Jeck. Well worth seeing.

Clement Crisp

BP Peter Pears Award

With so many competitions competing for our attention, any new entrant to the field has to find some special feature to offer. The BP Peter Pears Award for singing, which held its inaugural final on Sunday at Sadler's Wells offers a first prize that is financially well worth winning and the luxury of the English National Opera Orchestra in accompaniment.

These days if a competition should catch a big fish and this award caught one in the bass Alastair Miles, who already has a major career in hand. His Handel had some tingling coloratura and he made a intense and dramatic job of Verdi's "O tu, Palermo."

Nevertheless the jury chose not to award him the first prize. After the first half, devoted to songs, it was easy to sympathise with their predicament. At this stage none of the four contestants had been at all convincing.

The eventual first-prize winner, the bass Neal Davies, showed his potential in the arias in the second half. It was here that with some confident singing in Handel and Verdi, both sung with a full and rounded, evenly produced, very English bass-baritone that sounded rather too gentlemanly in the Verdi. To my ears Alastair Miles was easily the more interesting here, but perhaps the jury felt he had less need of the award.

The second prize was awarded jointly to Miles and the soprano Janice Watson. The soprano has a healthy lyric voice that was at its best when it could open out at the climaxes of Charpentier's *Louise*. The other finalist was the American mezzo Katharine Goeldner and a special accompanist's prize went – deservedly – to Elizabeth Marcus.

Richard Fairman

Peter Donohoe

QUEEN ELIZABETH HALL

Action off the ball, you might say, dominated the first half of Peter Donohoe's recital on Sunday afternoon. His performance eventually got underway 25 minutes late, after two false starts and subsequent efforts with decidedly ozone-unfriendly lubricants to silence a noise emanating from the piano's pedal column. The problem went unsolved until the interval, and Donohoe's playing was counterpointed with a series of piercing squeaks, which can have done nothing for the concentration of performer or audience.

He played Rakhmaninov's *Preludes – the complete sets* of Op.23 and Op.32 as well as the C sharp minor prelude from Op.3 – and had chosen to use a Fazioli piano rather than the South Bank's standard Steinway. Despite the unfortunate mechanical problems, the instrument offered a distinctly different sound in this hall, lacking the Steinway edge and general beefiness, and offering in its stead a softer-focussed, more pliable sound, perhaps too a greater range of tone colour. In the G major Prelude from Op.32 and the D major and E flat major from Op.23 (these last two repeated, *sans* squeak, as encores) Donohoe was enabled to spin some seductively pellucid webs of sounds, delicately inflected, with an intimacy that is never easy to manage in the Elizabeth Hall.

Yet such an instrument also requires close attention to definition, and not all Donohoe's rhythms were as well delineated as they might have been; even some of the most formidable of the preludes – the B flat from Op.23, F minor and final D flat from Op.32 – needed more firmness and impulsion, so that as a cycle the Preludes tended to lose some of their focal points. Donohoe's approach is blessedly free from idiosyncracies – his rubato is strictly rationed, and dynamics are graded rather than abrupt. It is thoroughly musical, and on its own terms daring – to choose such a programme rather than, say, a mixed recital in which Rakhmaninov made up perhaps one half, showed not only unfashionable commitment to the composer, but also single-minded confidence in his own intrepretative powers.

Andrew Clements

ARTS GUIDE

October 13-19

OPERA AND BALLET

London

Royal Opera, Covent Garden. The latest revival of the 1975 *Peter Grimes* brings a promising cast of newcomers – Philip Langridge in the title role, Felicity Lott, Donald McIntyre, Sarah Walker and Stuart Kale – and Roger Norrington as conductor. *Die Walküre*, in the production by Götz Friedrich adapted from his Berlin staging, is distinguished above all by Bernard Haitink's magnificent conducting, and the vocally unsurpassable Wotan of James Morris.

English National Opera, Coliseum. Kurt Weill's marvellous Broadway opera *Street Scene* comes to London after being shown by Scottish Opera earlier in the year. David Pountney's production, designed by David Fielding, is conducted by Carl Davis; the cast includes Kristine Ciesinski, Janis Kelly, Bonaventura Bottone and Richard Van Allan. Further performances of the surreal, vividly theatrical production of Verdi's *A Masked Ball*, by producer David Alden, designer David Fielding and conductor Mark Elder, with Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie in leading roles; and of the funny, musically delightful *The Magic Flute*, conducted by Alex Ingram, with Thomas Randle, Joan Rodgers, Nicholas Folwell and John Connell.

Paris

Théâtre des Champs Elysées. *Der Rosenkavalier* is performed by the Paris Opera Orchestra, conducted by Georg Schmoehe in a new production, co-produced by the Théâtre Des Champs Elysées, the Montpellier Opera and the Nantes Opera (47208637). Théâtre de la Ville. Karine Saporta and her company with Spanish-inspired *Les Taureaux de Chimène*; followed by Mathilde Monnier who gives us, with *A la Renverse* an imaginary world full of contradictions, with the earth becoming the skies and history the fable (42742277).

Amsterdam

Muziektheater. The Netherlands Opera with *Ariane et Barbe-Bleu* by Paul Dukas, directed by Philipe Sireuil, with the Netherlands Philharmonic conducted by Henry Lewis. Kathryn Harries and Roger Soyer in the title roles. The National Ballet with a Frederick Ashton programme of *Midsummer Night's Dream* and *Symphonic Variations* (255 455).

Hamburg

Opera. *Der Troubadour* has a first-rate cast led by PieroCappuccilli, Linda Plech, Ruza Baldani, Guiseppe Giacomini and Ellero d'Artegna. *Peer Gynt* has wonderful John Neumeier choreography. *Die Frau ohne Schatten* is revived with Carmen Reppel, Robert Schunk, Julia Juon, Ute Vinzing, Franz Grundheber and Harald Stamm. Also *Magnificat*, another ballet with choreography by John Neumeier.

Berlin

Opera. *Arabella*, the new production by Gernot Friedel is expertly conducted by Guiseppe Sinopoli with Lucia Popp outstanding in the title role. Guest appearance of the Tokyo ballet. *Zar und Zimmermann* has fine interpretations by Barbara Scherler, Andreas Schmidt and Peter Maus. *La Bohème* in Götz Friedrich's production is sung by Eva Johansson, Gwendolyn Bradley, Andreas Schmidt, Salvatore Ragonese and Manfred Roehrl.

Munich

Opera. Mezzosoprano Brigitte Fassbaender is the producer of *Der Rosenkavalier* with Judith Beckmann, Susan Quittmeyer, Jan-Hendrik Rootering and Hans Helm, conducted by Heinrich Hollreiser. *Adriana Lecouvreur* stars Margaret Price, Bruna Baglioni, Alberto Cupido and Angelo Romero. *Il Barbiere di Siviglia* features Julie Kaufmann, Cornelia Wulkopf, Claes H. Ahnsjoe. *Onegin*, choreographed by John Cranko, is revived. *Elektra* is sung by Hildegard Behrens, Christa Ludwig and Sabine Hass.

Bonn

Opera. Last season's successful *Madame Butterfly*, produced by Marco Arturo Marelli is revived with Keiko Kamegawa, Chieko Shirasaka, Lando Bartolini and Ludwig Baumann. Also *Spartakus*, the new ballet production, choreographed by Bonn's director Yuri Vamos.

Frankfurt

Opera. *Behind the China Dogs* jointly choreographed by William Forsythe and Amanda Miller returns. *Ein Sommernachtstraum*, produced by the East German Thomas Langhoff is sung by Audrey Michael, Jochen Kowalski and David Bennett. Monsieur Beaujolais and his group play three one act pieces by Jaques Offenbach.

Cologne

Opera. *Die verkaufte Braut* is a well done repertoire performance. *La traviata* has a strong cast led by Janice Hall, Fernando de la Mora and Wassili Janulako. *La Cambiale di Matrimonio/Il Signor Bruschino* feature John del Carlo, Teresa Ringholz, Janice Hall, David Kuebler, Alberto Rinaldi and Carlos Feller.

Madrid

Madrid Autumn Festival. Sala Olimpia. Musical version of *King Lear* performed by the Kathakali group from Kerala, India. Shakespeare's words substituted by music and dance, thus recovering the atmosphere and style of India's ancient theatre. Directed by Annette Leday and David Macruvie. Ends Oct 22 (227 46 22).

Barcelona

Gran Teatro del Liceu. National Ballet of Cuba performing *Giselle* (Act 2), *La Diva* (Maria Callas inmemoriam), *Don Quijote*, *Swan Lake* (Act 2) and *Dionaea*. Artistic director is Alicia Alonso. Until Oct 22 (318 91 22).

Rome

Teatro dell'Opera. A revival of Jean-Pierre Ponnelle's delightful production of Rossini's *L'occasione fa il Ladro* done for the 1987 Pesaro festival, conducted by the violinist Salvatore Accardo. The cast is excellent, led by Luciana Serra, with Paolo Gavanelli and Gloria Battistelli; also Alvin Ailey's American Dance Theater (46.17.55).

Milan

Teatro Alla Scala. The Bolshoi State Opera tour continues with Prokofiev's *Duenna*, Glinka's *Ivan Susanin* and Rimsky-Korsakov's opera-ballet *Mlada* (80.91.26).

New York

Metropolitan Opera. Franco Zeffirelli's new production of *La Traviata* features Edita Gruberova and Neil Shicoff, conducted by Carlos Kleiber. The week also includes Christian Badea conducting *Aida* in Sonja Frisell's producuction with Msandra Marc, Stefania Toczyska and Giorgio Lamberti, as well as *Porgy and Bess* conducted by James Levine and Teresa Stratas in Puccini's *Il Trittico (Il Tabarro, Suor Angelica, and Gianni Schicchi)*, conducted by James Levine. Opera House Lincoln Centre.

Chicago

Lyric Opera. Carol Vaness sings the role of Vitella and Tatiana Troyanos is Sextus in Francois Rochaix's production of *La Clemenza di Tito* conducted by Andrew Davis. Jiri Kout conducts *Der Rosenkavalier* with Anna Tomowa-Sintow, Kathleen Battle and Julian Patrick (332 2244)

SALEROOM

World wide spread

The international spread of the art market has been well in evidence in the last few days. Sotheby's, for example, has held sales in New York, Tokyo, Monaco and London. The London auction yesterday was of English and continental glass and it did well, with a total of £207,404, and less than 6 per cent unsold.

A rare Silesian "Hochschnitt" beaker, 14.3cm high, made around 1700, sold for £30,800, three times its estimate, to Kovacek, the Viennese dealer. An early English decanter jug with a silver lid, of around 1675, doubled its estimate at £20,900.

Perhaps the most important auction was in Tokyo on Friday where, in co-operation with Seibu, Sotheby's held the first of a series of planned sales in the country which is behind much of the recent boom in the art market. In the past the auction houses encouraged the Japanese to bid in London or New York. There was a feeling that sales in Japan would not go well because of the Japanese concern about losing face by bidding in public and failing to secure an article. Such a theory turned out to be illusory. The auction of modern and contemporary prints brought in £5.5m, with all the items selling to Japanese buyers. A copy, one of an edition of 250, of Chagall's "Daphnis & Chloe," with 42 lithographs, made £324,542, while Picasso's famous etching "Le repas frugal," released in an edition of 250, went for £275,369.

In New York over the weekend there was strong demand for Old Master pictures. A still life of fruit and porcelain by the 17th century artist Cristoforo Munarti quadrupled its estimate at £147,603, while a pair of allegories of autumn and summer by Abraham Bisschop also did well, selling to Spain for £80,830.

In a furniture auction a "Chippendale" carved mahogany small bombé chest of drawers, made in Boston around 1770, made £208,833, while among the folk art collected by Mr and Mrs Robert Marcus, a copper weathervane in the shape of a squirrel, made around 1875 in Massachusetts, sold for the extraordinary price of £50,958.

The decorative arts sale at Monaco was the most successful ever held there by Sotheby's. Seibu underlined its interest in art by paying £110,772 for a Gallé vase, 45 cm tall, mainly mauve in colour, while a dessert table produced by Ruhlmann in the late 1920s more than doubled its top estimate at £105,234. There was one failure, an original 1913 edition of Proust's "Du côté de chez Swann," inscribed by the author, was unsold.

Antony Thorncroft

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The boy who cried wolf

ARE THE World's stock markets unshackled, uncoupled and unhinged? Every devotee of the efficient market hypothesis needs to answer this question in the light of their behaviour in October 1987 and again in October 1989. Everyone else might reply that in the 1980s capitalism proved vastly superior to socialism in all respects, except the capital markets.

That markets have been unshackled is unquestionable. Deregulation has proceeded apace in all financial markets. "Big Bang" in London was just one exciting episode in this story. One of the most pertinent results of deregulation has been downward pressure on the profits of financial intermediaries and a temptation to take on riskier, but apparently more lucrative business. There is no better example than the finance of leveraged buy-outs, which may have just come to a sticky end.

Equally, stock markets appear to be uncoupled. They have long been known for forecasting four out of every two recessions, but in October 1987 the one that got away was a whopper. Kindly souls might exculpate the markets by claiming the crash was a self-denying prophecy. It was the prompt reaction of the world's monetary authorities, they assert, that saved the world from its fate. This will not do. The world's monetary authorities saved the world not from the recession the markets predicted, but from the recession they could themselves have caused.

Faulty predictions

The world economy was much stronger in 1987 than realised at that time. That momentum continued throughout 1988, helped on only a little by the monetary easing after the Crash. Hindsight suggests that the stock markets neither predicted nor caused anything of interest.

Stock markets are even uncoupled as an influence over the allocation of capital, ostensibly their prime function. Throughout the expansion of the American economy since 1982, the US stock market has behaved like the Cheshire Cat. With its body disappearing in a puff of junk bonds, one is left with euphoric smiles and the occasional rictus of panic. The UK market remains a more substantial body, but even there new issues contributed a mere 11 per cent of the capital funds of industrial and commercial companies between 1984 and 1988.

Throughout the capitalist world the bulk of corporate investment is financed by retained earnings. Only where take-overs are freely permitted can the stock market have any influence over the allocation of such funds. *A fortiori* they have virtually no influence either in Japan or the European continent.

Given their behaviour, it is not surprising that serious people, like central bankers, and somewhat less serious people, like finance ministers, tend to treat the markets as unhinged. Their tantrums are greeted with soft words and a transfusion of life-giving liquidity. But few suppose that their ravings add anything useful. The aim of the authorities is not to listen, but rather to ensure that the occasional panic damages neither the markets nor anyone else.

Instincts to gamble

The Japanese have a particularly intriguing approach to the stock market. Though much the world's largest in terms of value, The Tokyo market plays a negligible role in the direction of Japanese resources. The market offers, instead, a harmless way of satisfying the deep-seated human instinct to gamble. It is a huge – though carefully controlled – casino, the value of whose chips bears little relation to the income streams they command. If the Japanese are right (and they have been on much else) the great mistake of the Anglo-Saxons was to have taken the markets seriously in the first place.

Many of those engaged in these markets will take a more serious view of their activities. But, like the boy who cried wolf, the markets will now be disbelieved even when they have something useful to say. In a fate more complex than Cassandra's, their destiny could be to have been believed when they were wrong and, as a result, to be disbelieved when at last they are right.

Protectionism and UK oil

THE BRITISH Government has only itself to blame for the threat that equipment purchases by its offshore oil industry may become trussed up in Euro-bureaucracy.

The arm-twisting and veiled threats used to encourage operators in UK waters to place contracts with British yards has been flagrant enough to constitute a prima facie case of protectionism, which fully merits the attention of the EC commission.

The British Government's defence is that it merely requires oil companies to give a "full and fair" opportunity to UK yards to tender for platform building and other offshore work. Informally, however, oil companies have been encouraged to believe that if their procurement policy should be judged "unsatisfactory" by the Department of Energy's Offshore Supplies Office they may be awarded inferior acreage when the next batch of licences is handed out.

The fact that licences are awarded at the oil minister's discretion confers enormous power on the department, whose officials can wag their fingers at oil companies in a way which would be impossible in a free and competitive market. Whether or not this actually influences the purchasing decisions of most oil companies, the fact that more than 80 per cent of the contracts have gone to UK suppliers in recent years was bound to cause suspicion among foreigners.

Equally undesirable

This resulted in an attempt to include the offshore supplies industry in the proposals for a single Internal Energy Market alongside the plans for a Single European Market in 1992. Britain, which has much the largest offshore oil industry in the community, argues that this sector should be excluded from the provisions on the grounds that oil companies and their suppliers are subject to vigorous international competition.

The argument is undermined, however, by the continued vigour of its Offshore Supplies Office, whose purpose is difficult to discern if it is not covert protectionism. When the OSO was founded in 1973, it could be argued that Britain's rather weak offshore supplies industry needed special help to stand up to the much more experienced US competition. After 16 years, during which the industry had built up to an 84 per cent share in its home market last year, that argument is untenable.

However, if intervention of the UK government in this industry is no longer justified, interference from Brussels would be equally undesirable. The task of the EC should be to open markets wherever possible rather than to tie them down with onerous regulations. The rules first proposed by the Commission, though intended to promote competitive tendering, would have opened the way to costly delays, bureaucratic argument and possible abuse by suppliers trying to get contracts which they could not have obtained in an open market.

Strong tendency

These dangers appear now to have been recognised. The latest proposals from Brussels, now being discussed with UK officials, envisage conditional exemption for the sector rather than total exclusion. The industry would be freed from detailed restrictions provided that the UK government could demonstrate that its policy for awarding North Sea licences was genuinely open and not influenced by the companies' procurement records. The best way to achieve this would be to abandon the present back room selection methods and to hold open auctions for these licences as is done in the US.

Now that the North Sea is a mature oil province, there is little need to use licensing rounds to promote nationalistic aims like the establishment of UK independent oil companies, or local purchasing. North Sea operators would in any case continue to buy a large part of their equipment from local suppliers, because they are convenient, experienced and generally competitive; and oil companies the world over show a strong tendency to be "friendly" to the host country. So if the UK government will comply with Brussels and cut the shackles, it has little to lose but chains of its own devising.

Alice Rawsthorn examines the tough times facing UK advertising after a decade of success

Falling behind in advertising

The mood of the account executives and creative directors in the white-walled offices of the advertising agencies along the streets of Soho in London is much more subdued than usual.

After years of apparently inexorable growth the UK advertising industry faces the threat of recession. The slowdown in consumer spending and pressure on corporate profits have already prompted many advertisers to reduce their expenditure on advertising.

Campaigns have been cancelled. Budgets are being cut. The Soho bars and brasseries are riddled with rumours of redundancies. Perhaps the most poignant illustration of the industry's predicament is that Saatchi & Saatchi – once a shining symbol of its success – is now being preyed upon as a takeover target by the sharks of the world's stock markets.

Hitherto the 1980s had been a decade of almost unalloyed success for the UK advertising agencies. An economic environment of a strong pound and low interest rates could scarcely have been better designed to boost the expenditure of traditional advertisers. And Mrs Thatcher's policies of privatisation and deregulation introduced a new generation of companies to the world of advertising.

Advertising expenditure has soared since the early 1980s. It accounted for 1.2 per cent of GDP in 1980, according to the Advertising Association, and 1.6 per cent in 1988. The industry has enjoyed double-digit growth throughout the decade and expenditure rose by 17 per cent to £7.3bn last year.

Even the cultural climate has been kind to advertising. The ad executives, who were once seen as spivvish salesmen in too-sharp suits, have assumed a new stature in the enterprise culture of the Thatcher years.

The press photographs of Mr Tim Bell whispering in the Prime Minister's ear as Saatchi orchestrated the Conservative Party's election campaigns and the stories of Mr Charles Saatchi's spending sprees in New York art galleries have remoulded the image of advertising into a more influential industry.

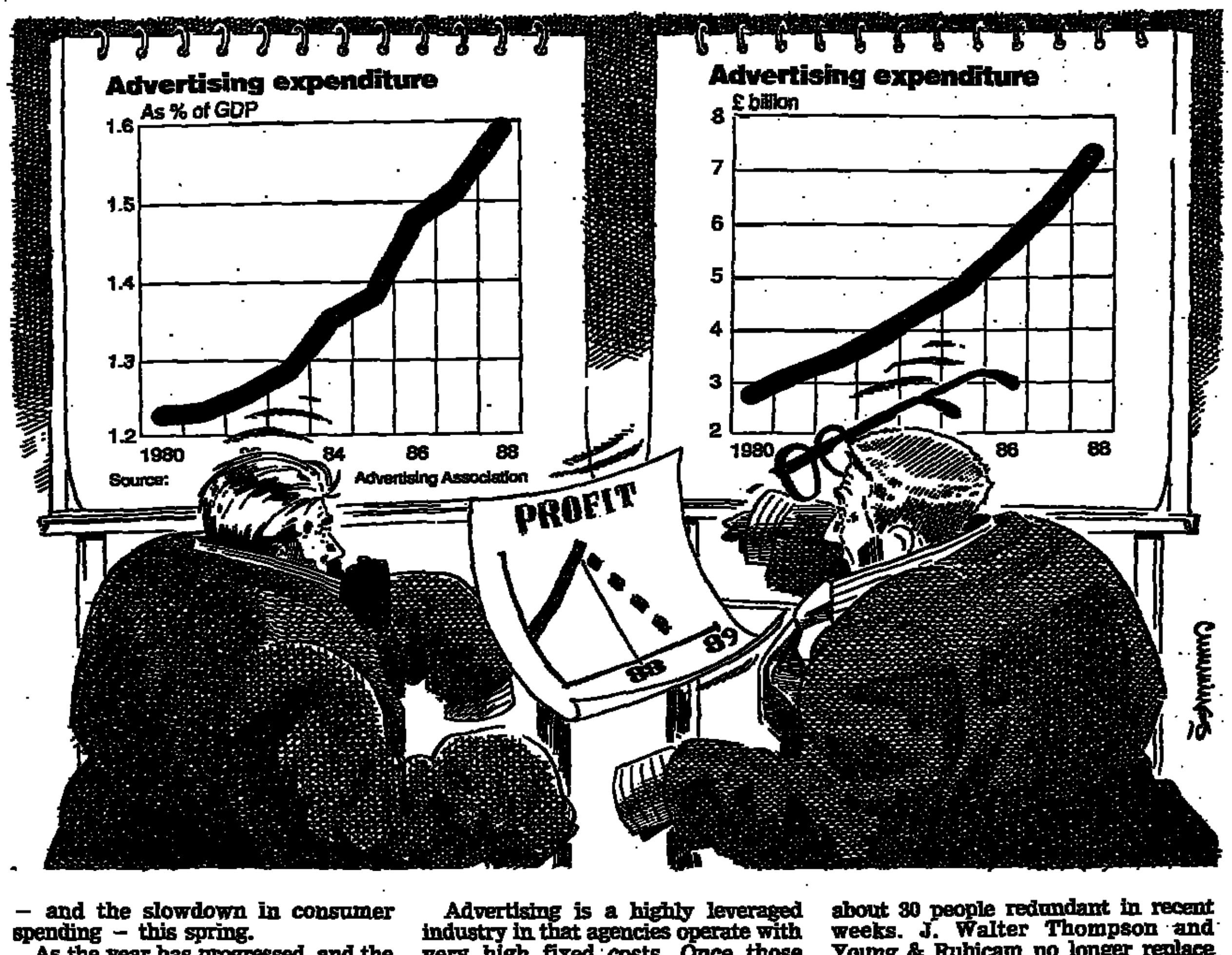
The 1980s has also been the decade when the UK advertising industry has taken on the world. The combination of a strong pound, high share prices and liberal accountancy regulations – whereby goodwill on an acquisition could be written off against reserves – enabled the ambitious agencies to stage acquisition after acquisition in other countries.

One by one the giant US agencies fell into the clutches of UK companies. The Saatchi brothers snapped up Ted Bates. Mr Martin Sorrell's WPP pounced on J. Walter Thompson and Ogilvy & Mather. The hegemony of New York and Chicago was over. By the mid-1980s London had become the centre of the international advertising industry.

The 1980s has been the decade when the UK advertising agencies have taken on the world. They have made acquisition after acquisition

But the industry now faces a far less favourable environment. The combination of inflation at nearly 8 per cent, base rates at 15 per cent and a currency that has fallen by almost 10 per cent since the start of the year has created a much more competitive climate for agencies in the UK.

Some advertisers have already cut back expenditure. The first areas to be affected were the retailers and the travel companies which bore the brunt of the increase in interest rates – and the slowdown in consumer spending – this spring.



As the year has progressed, and the pressure on corporate profits has intensified, other companies have cut back too. Mr Paul Bainsfair, joint chief executive of Saatchi's London agency, said it detected the first signs of a serious slowdown in late summer when it discussed budgets for 1990 with its clients.

Saatchi had expected its clients to follow their usual pattern of increasing expenditure at least in line with inflation. Instead it was told they were freezing their budgets thereby spending less in real terms.

Other agencies have reported campaigns being cancelled or delayed and sudden cuts in budgets. Mr David Jones, managing director of Lowe Howard-Spink in London, described the market as "very, very tough."

The obvious way for an agency to compensate is by winning new accounts. But there is very little new business around. The uncertain economic outlook – and the chaotic stock market – has made advertisers much more cautious about changing their marketing strategies. The head of one large agency estimated that the value of the accounts to change hands during 1989 will be half as high as in 1988.

The critical question for the industry is what will happen to expenditure next year. Given that there is no hope of an upturn in consumer spending, nor of an alleviation of the pressure on corporate profits, the only certainty is that conditions will become even more competitive.

The latest forecast from the Advertising Association suggests expenditure will show real growth of 4 per cent this year – against 12 per cent in 1988 – and 1 per cent next year.

Advertising is a highly leveraged industry in that agencies operate with very high fixed costs. Once those costs are covered and revenue rises, agency profits tend to increase at a far faster rate. Conversely, if costs increase at a faster rate than revenue, then profits plunge.

This means that the agencies are very vulnerable to fluctuations in the market. When advertising expenditure has slowed down in the past, the impact has been very sharp. In the last two recessions – in the two years after the 1973 oil shock and in the economic slump between 1980 and 1981 – expenditure dropped in real terms, profitability fell and some agencies were forced into receivership.

The severity of the industry's difficulties is illustrated by the change in the number of people employed by the members of the Institute of Practitioners in Advertising, which represents most of the UK agencies. The IPA estimates that employment fell from 15,700 in 1973 to 13,300 in 1975 and from 15,500 to 13,500 between 1980 and 1983.

This time, according to the Advertising Association, the level of expenditure will not actually fall but the rate of growth will decline markedly. Yet the agencies face the problem that their costs are still increasing by about 10 per cent. This means that some agencies are already experiencing pressure on cashflow and that pressure will intensify next year.

The industry's ability to stave off another recession will be determined by its success in controlling costs. Given that salaries account for 60 to 65 per cent of an agencies' costs, staff cuts are an obvious area for economy.

Some agencies are already shedding staff. Saatchi is thought to have made about 30 people redundant in recent weeks. J. Walter Thompson and Young & Rubicam no longer replace people who leave unless it is absolutely essential to do so.

One problem for the agencies is that, although the climate is tough, the competition for talented staff is as fierce as ever so pay is still increasing. The advertising industry is less profligate than in the past. The days of long lunches and extravagant expense accounts are over. But bright, young account executives and creative directors can still ask for – and get – shiny sports cars and hefty salaries.

Another problem is that the uncertain economic environment makes it very difficult for agencies to budget. The volatile nature of the industry – where accounts are won and lost all the time – means that accurate budgeting is a critical component of profitability.

At any time an agency must estimate how much its clients are going to spend and what level of service – in terms of staff and resources – it needs to provide. This, said Mr Allen Thomas, chairman of J. Walter Thompson in London, is notoriously difficult to do even in good times and "doubly difficult" at times of uncertainty.

In theory the industry *should* be better able to cope with competitive conditions now than in the mid-1970s and early 1980s. The emergence of larger groups and the wave of public quotations ought to have introduced more professional management to advertising.

Agencies have drafted in accountants and management consultants to guide them through the mysteries of treasury management and corporate planning. Yet the calibre of management is still comparatively low. Mr Brian Sturgess, an analyst at the Barclays de Zoete Wedd securities group, said many agencies have become too complacent during the years of easy growth.

A recent report from Spicer & Oppenheim, the accountants, strikes a cautionary note. It warns that the recent rise in agency borrowings could cause liquidity problems if the advertising market weakens.

The larger groups should be able to count on their international acquisitions to offset a slowdown in the UK. Yet the level of agency profitability in other countries tends to be lower than in the UK and some of the acquisitions have been far from successful. One of the reasons for the dramatic downturn in WCRS's advertising profits last year was the difficulty of merging its two US agencies.

In any event the era when UK agencies stormed the world in search of acquisitions is over. The pound is too weak and UK agency share prices are too low for international acquisitions to be viable.

WPP's $864m (£555m) acquisition of Ogilvy in May now looks like the last of the big trans-Atlantic takeovers. And Mr Sorrell is said to have had difficulty in winning the support of his institutional investors for the bid. Lowe has since bought full control of Marschalk, its US associate, but only by allowing Interpublic, the giant US marketing group, to increase its holding.

The tide of takeovers is now turning in a different direction and the UK agencies are being preyed upon by the Americans and the Europeans.

Earlier this year Boase Massimi Pollitt staved off a hostile bid from Boulet Dru Dupuy Petit of France only by falling into the friendly hands of Omnicom, the large US group. WCRS is already linked to two French companies: Eurocom in advertising and Carat in media buying. Eurocom may increase its holding, although WCRS is also said to be talking to BDDP and GGK of Switzerland.

The stock market's castlist for Saatchi's potential predators ranges from Mr Silvio Berlusconi, the Italian media magnate who began his career crooning Frank Sinatra songs and then made a fortune from down market television, to Mr Bob Jacoby, the US ad man who is said to have sworn revenge on the Saatchis for ousting him as head of Ted Bates.

Even public sentiment is turning against the industry. The growing awareness of environmental issues is threatening the climate of conspicuous consumption that helped to fuel the advertising boom.

The roles of Mr Tim Bell and Mr Charles Saatchi, the symbols of its political and artistic prominence in the early 1980s, have changed. Mr Bell has forsaken advertising for public relations. Mr Saatchi is selling part of his art collection.

The tide of turnovers is now turning in a different direction and the UK agencies are being preyed on by Americans and Europeans

The chief consolation for the industry is that the present slowdown in expenditure is likely to be short-lived. The advertising market is also certain to recover in 1991 if the Chancellor succeeds in steering the economy back to growth in the approach to the next general election.

But then, of course, the industry may face another cyclical downturn when inflation increases after the election and advertising expenditure slows down all over again.

OBSERVER

Post against the Times

■ Little love has ever been lost between the imperious, liberal-inclined Washington Post and its aggressive conservative rival, the Washington Times. The bitterness is increasing.

In his column yesterday, Wesley Pruden, managing editor of the Times, accused the Post of "sleeping through the attempted coup in Panama", and he suggested that the only scandals the Post had the stomach for investigating were the sins and shortcomings of black people. "What this town really needs", he wrote, "is a good second newspaper."

Post editors, privately dismissive of several reporting scoops by the Times about homosexual activities in Washington's political circles, published on Sunday an investigation running into several thousand words of the Rev Sun Myung Moon's Unification Church. The Times says that its Korean owners do not include Moon or his church.

This latest spat has more to do with money than journalism. The loss-making Times (circulation: 103,000) desperately wants to dent the dominant position of the highly profitable Post (circulation: 812,000). So far it has had little success, and it will still need some $25m of South Korean largesse this year to stay afloat.

Yet some of its criticism is justified: the one notable political scoop of the year – President Bush's proposal to Nato for deep cuts in conventional weapons – appeared not in the Post, but in the Times.

PW's politics

■ Price Waterhouse may be pushing it a bit. The accountancy firm is sponsoring a debate at the Cambridge Union today on the motion that "continued privatisation is in the public interest".

Speaking for the motion are Cecil Parkinson, the Transport Secretary, and David Mellor, the outspoken junior minister now at the Department of Health. They will be backed by Richard Gledhill of Price Waterhouse, who is also an adviser to Anglia Water which services the Cambridge area.

Ranged against are the Labour MP, Alan Williams, and John Edmonds, the General Secretary of the General, Municipal, Boilermakers and Allied Trade Union.

Price Waterhouse also presently has a team at a seminar in Warsaw talking about privatisation in Poland.

Sisulu stars

■ When Walter Sisulu and his fellow leaders of the African National Congress (ANC) went to prison 26 years ago, television in South Africa was in its infancy. Yet it was one of the first things they confronted when they came out on Sunday. They appeared born to the medium.

Voices which had not been heard in over a quarter of a century made statements that would have been unthinkable even a few months ago. The composure of the seven elderly men as they took questions, blinded by television lights and jostled by television crews, was remarkable. They answered with caution, calm and good humour.

Sisulu needed a bit of coaching with the portable microphone, but he took to it like a professional. If he and his colleagues are allowed further exposure, South African politics may change even faster than the new Government intends.

German lesson

■ After years of international decline for the German language, the world wants to start speaking it again. So claimed the Goethe Institute, the guardian of West Germany's cultural diplomacy, on the publication of its annual report yesterday.

Western Europe – where 4m people are now learning German – is leading the way with a marked rise in interest in France, Italy and Britain, thanks partly to the Single Market and 1992. Eastern Europe is following the trend. In Hungary, 1,000 Russian teachers are being re-trained to teach German and it is reckoned that 15m people are learning it in the Soviet Union.

The Institute's new President, Hans Heigert, yesterday reproached the Bonn government for miserliness which may jeopardise the opening of planned new offices in Moscow, Sofia, Warsaw and possibly Prague. "We must not miss this historic opportunity of a cultural opening to the East," he said.

Pru's prize

■ On October 29, in the Ballroom of London's Grosvenor House Hotel, one struggling British arts company will suddenly find itself £100,000 richer. It will be the outright winner of the first Prudential Awards for the Arts, the largest prize in the British arts world.

To involve the public in this select occasion the Pru is buying teaser commercials on LWT throughout the weekend running up to the Sunday night gala, culminating in a live three-and-a-half minute advertisement to coincide with the actual announcement of the winner. Each of the five commercials will press the case for a different finalist – with the ENO representing opera, for example, Rambert dance, the Almeida music, and so on.

The advertising will cost £150,000.

Tough lady

■ Extract from Nancy Reagan's forthcoming book: "As far as I was concerned, Donald Regan's crack addiction, wife beating and cruelty to animals were his own business, but when I discovered that he held the rank of colonel in the Soviet KGB, I put my foot down and said: 'Ronnie, this man has got to go.'"

Well, not quite: it's a slight spoof of the book printed in the New York Times Book Review. But the book itself does sound intriguing. It was Donald Regan, once President Reagan's chief of staff, who revealed that the First Lady used regularly to consult an astrologist about her husband's movements. Nancy Reagan admits that this is true, and that at times even the President was embarrassed by it.

Right man

■ Notice of Meeting: "Computer hacking – should it be a criminal offence? Opening Speaker Mr Timothy Hackworth, Director, British Computer Society."

LETTERS

Government behaviour and the British economy

From Dr Paul Seabright.

Sir, It is curious that in Martin Wolf's otherwise interesting feature article ("Questions over the British miracle," October 14), he should have failed to mention the increasing competition in the financial sector that has bedevilled attempts to control demand in the economy through monetarist means. Those who would resurrect monetarism now appear to have forgotten how poorly the broad money aggregates have performed as leading indicators of inflation in the last 10 years. Even in 1985-88, when broad money growth accelerated, it did so to a far greater extent than inflation.

The best explanation is that a more competitive credit market can be expected to lead households to hold higher levels of debt in relation to their income. These higher levels of debt will be matched partly by increased consumption (previously restrained by uncompetitive financial markets in ways reminiscent of the accusations now levelled at Japan) and partly by a build-up of assets. These balancing assets include notably a revalued housing stock, but also consumer durables and financial assets.

In the process, some current account deterioration will take place – part of it a one-off adjustment in the stock of durables and investment goods, part of it reflecting lower savings levels appropriate to an environment with fewer quantitative restrictions on credit. Also in the process, broad money growth can be expected to accelerate (more than could be expected on the basis of interest rate policy alone) as desired holdings of financial assets (including deposits) increase.

The current growth outlook is therefore both less disturbing than the current account figures alone suggest (part of the deficit, being a stock adjustment, may be expected to be temporary), and much more disturbing than the broad money aggregates would lead us to believe. Indicators of other matching assets, like the levels of house prices, warn that the boom may already be over and that current policy runs the serious risk of overkill.

Any government that is serious about promoting competition in the financial sector cannot expect broad money aggregates to behave as though the creation of money were a nationalised industry. Changes in the aggregates reflect changes in the competitive conditions of a largely private-sector industry, as well as the outlook for overall demand. The return of a monetarism that tells us to ignore all other indicators could not come at a worse time.

Paul Seabright,
Director of Studies in Economics,
Churchill College,
Cambridge

From Mr D.A.A. Fagandini.

Sir, The adulation of the assembled masses in Brighton and Blackpool can only add to the scepticism of those who are averse to such fervour. Presidential-style politics require Presidential-style constraints and these we do not have.

In your leader ("Budgeting, US-style," October 13), you ask industry do its duty. Yet Martin Wolf shows how weak our manufacturing industry still is after 10 Thatcher years. Successive British Governments have not known what to do to enliven it except to voice encouragement or offer subsidies. This Government's main contribution has been to reduce the unbearable pressures put on the economy by the trade unions by allowing the legal sequestration of union assets under clearly defined conditions. There can be few more effective ways to temper corporate excesses.

British manufacturing industry requires support in three separate ways:

- The establishment of stable monetary conditions.
- The provision of infrastructures that permit the use of skill and talent wherever it can be found in the UK.
- A genuine departure from current attitudes to science, technology and vocational education.

No government since the Second World War has coherently and consistently provided any of these means of support.

The most recent opportunity to create a stable monetary environment is the subject of a Prime Ministerial veto. The reasons for the veto are never given; we are supposed to assume that the Prime Minister is reluctant to take instructions from the Bundesbank. Clearly we would all wish that we did not have to start from here to establish low inflation, a firm rate of exchange and low rates of interest, but facts being facts, and deficits deficits, we have no choice other than to bow, eventually, to the inevitable.

The construction of infrastructures to deter industry, and hence job opportunities, from decanting into the south-east have never been thought through. The current debate about the Channel Tunnel and its links with London and all points north is pure farce.

The educational issue, apparently addressed by this Government, is, in fact, being less than half-heartedly tackled. The reason for this is perhaps sheer ignorance of science and its link with technology and engineering, rather than ideology. The saga of the City Technology Colleges is pure tragedy. Low technological skill throughout British management and the labour force is the single truly fundamental cause of the balance of payments deficit. Martin Wolf just avoids mentioning this in his feature article.

We must accept the fact that no British political party has ever tackled the nation's true weaknesses. Three successive Conservative Governments have had the opportunity to do so and seem never to have noticed the fact. A change of political flavour will undo what little was achieved by default.

The irony of it is that our weaknesses are so obvious and intrinsically so unexceptional. And yet we look steadfastly beyond them and debate the consequences in a manner than precludes any self-determined resolution.

D.A.A. Fagandini,
6 Alleyn Park, SE21

From Mr D.J.D. Clark.

Sir, Martin Wolf's analysis of our economic management and performance since 1979 is impressive, but I doubt if it is enough to conclude that future performance mainly depends on the flexibility of British labour markets – "the UK's most fundamental economic problem."

The attempts of successive Governments since the war to improve our performance by fiscal and monetary means, by exhortation, and varying degrees and forms of intervention have not done much to address the consequences of our being socially and culturally an anti-industrial society – at any rate in the most influential sectors of society in southern England.

I find the best evidence for this is anecdotal. There is, for example, the City saying, going back to the 1930s, that the managing director is the one who knows where the factory is. During the war, the reality of the labour market was explained to me in this fashion; "It's like this, Nob – if you can't get a job in an office you get a job in a shop; if you can't get a job in a shop you get a job in a factory."

During the Westland affair, a Conservative MP was reported to have said that after all Westland's value in the market was no more than that of a second grade property company, implying that it did not much matter whether we went on making helicopters in this country.

At Oxbridge it is said to be social death if you are something unexciting like a northern chemist. I conclude with an observation of my own. We southern British gentry will do anything for British industry except actually work in it.

D.J.D. Clark,
73 Lee Road, SE3

Water plc resources

From Mr Aurian de Maupeou.

Sir, Why is the water share offers brochure so secretive about the main assets – water and land – of the 10 water plcs to be privatised? There is not even a map to show their boundaries.

For each of the 10, we are only given a figure for "supply reservoirs." Are they owned or only managed? What is their capacity? We kneau not.

If the director-general of water services monitors the performance of the 10 plcs, who has the power of decision in case of national emergency such as a long drought? Who decides on alternatives to just turning off the taps – alternatives such as seeding clouds or building desalination plants in disused coastal or estuarial power-stations?

Aurian de Maupeou,
2 Bishops Close,
Chiswick High Road, W4

Moonies and the press

From Mr Arnaud de Borchgrave.

Sir, A recent dispatch by Maggie Ford in Seoul ("Moonies to invest in Guangdong car plant," FT September 27) says that a company owned by the Unification Church is to invest $250m in a car plant in southern China. The article also says that the head of the Unification Church, Rev. Sun Myung Moon, has extensive business interests in Japan and the US and publishes the conservative newspaper, The Washington Times. Neither the Rev. Moon, nor the Unification Church, owns The Washington Times or the businesses in question. Our Korean owners, who do not include Rev. Moon, have nothing to do with our editorial operations.

Arnaud de Borchgrave,
Editor-in-Chief,
The Washington Times,
Washington, DC

The details about free banking

From Dr Kevin Dowd.

Sir, Ivor Pearce is right to maintain in his letter of October 6 that those who propose currency reforms must spell them out. The details he wants are covered in my book The *State and the Monetary System* (Philip Allan, 1989). The gist of the argument is that competition among money-issuers would lead them to guarantee the value of their currency. *They would then stand ready* to issue and retire currency on demand, and the amount of currency in circulation would be determined by the demand to hold it.

I reject virtually *everything* that Peter Spencer writes in his letter of October 9. He suggests that it makes no difference what happens to the pound provided that banks pay *a competitive rate of interest.* I maintain that there are many reasons why individuals prefer no inflation (for one thing, they would not have to cope with so many price changes). The pound should, therefore, be a non-inflationary one, and my proposal is that competitive banks should offer notes and deposits denominated in terms of that non-inflationary pound. Mr Spencer's argument leads to the bizarre conclusion that the public does not care about inflation provided only that deposits attract a competitive rate of interest.

A preference for low inflation also explains why the public tends to switch away from high inflation currencies. Mr Spencer sees *no a priori* reason for such switching because he has assumed away the preference for low inflation that lies behind it. There is also plenty of evidence that people do *abandon inflationary currencies.* It is difficult to believe that they abandon them only because they might offer a lower real rate of interest.

It is a shame that the New *Zealand Government did not* persevere with free banking. One can only hope that the Thatcher Government is more committed to the principles of free-market economics.

Kevin Dowd,
Department of Economics,
University of Nottingham

The state of the invisibles

From Mr Peter Brighton.

Sir, It is not true, as you report ("Services have been success story of the 1980s," October 12), that in 1988 UK exports of services exceeded those of goods by £6.7bn.

Exports of services in 1988 were some £28 billion and exports of goods were some £81 billion. The proportion of services in total UK exports has fallen from 29 per cent in 1970 to 26 per cent in 1988.

You appear to confuse international trade with international financial transfers. UK income from interest, profits and dividends is not trade. It is our national revenue from the activities of other countries' economies. We can enjoy a net income from this source only because the proceeds of earlier UK trade surpluses have been invested abroad.

It is true that a pound earned by providing a service is as valuable as a pound earned by producing goods. But goods make up about three quarters of all our exports and four fifths of our imports. To believe that we can rely mainly on services to rectify our trade deficit is potentially ruinous.

Peter Brighton,
Director-General,
Engineering Employers' Federation,
Broadway House,
Tothill Street, SW1

D-Rams: fair trade should not be confused with security issues

From Mr Ross Denton.

Sir, Jürgen Knorr's guest column ("D-Ram dumping threatens users too," October 5) provides a number of interesting insights into the recent undertakings by Japanese producers on D-Rams. However, a number of his points should not go unanswered.

First, it is no surprise that the debate on the undertakings has been ill-informed. The EC Commission only publishes information concerning the *existence of undertakings.* It does not publish the content of the undertakings.

Second, Mr Knorr argues that competition will be unaffected by the undertakings. Clearly there will be competition among Japanese companies down to the floor price, with arguably the most efficient outcompeting the least efficient. But there is no competition among Japanese companies below this price. Why is that bad? Surely it is "fair" to ask the Japanese to sell above cost. Two points may be made. Usually the Commission's calculation of costs bears no relation to that of a businessman's. The Commission's calculation uses fully allocated costs and includes an unrealistically high profit margin. It also seems to assume that costs are static in the short term. However, constant increases in yield cause costs to plummet. In their negotiations with the Japanese, the US rejected the industry floor price approach, preferring dynamic company-specific costs. While imperfect, this at least allows competition at *every* price level and weeds out inefficient producers, since they cannot sell below their own costs.

Third, as to the dependency issue, Mr Knorr provides no evidence that the Japanese will continue to dominate D-Ram production. Indeed, there is growing evidence that South Korea and Taiwan will soon be predominant in D-Ram production. If Mr Knorr's argument is not that EC users are dependent on *Japanese* producers, but on *foreign* producers, then his argument is not one concerning free or "fair" trade, but a variant of the national security argument and one at odds with the presumption of interdependence underlying free trade. If the EC producers want to invoke a national security argument, why cloak it in verbiage about "fair" trade? Article 21 of GATT allows the virtual exclusion of GATT principles on security grounds, and, as the US showed with respect to Nicaragua, its invocation is not subject to review.

Assuming that Japanese producers are dominant and that this is a bad thing, is it then rational to allow them to reap the benefit of their "monopoly"? At the moment, with prices high, the Japanese companies make a good profit. But if their prices fall to the floor price or lower, then they are not faced with an anti-dumping duty, but the obligation to raise their prices. This increase goes into their own pockets and not the Community coffers. The Japanese do not appear to lose. However, the Community incontrovertibly loses through higher costs to users of D-Rams.

Finally, it is also unclear as to whether this system will induce European producers to start production of D-Rams again, given the extreme competition in this area.

Trade and industrial policy is a *sensitive and complex* area. Wrapping oneself in the European flag cannot make up for open and informed debate.

Ross Denton,
Baker & McKenzie,
Solicitors,
Aldwych House, WC2

FOREIGN AFFAIRS

Rapping the US over the knuckles

Jurek Martin argues that the Japanese like predictability in internal and external relations

You could argue that the world, above all the United States, is yet deeper in Japan's debt this *morning. Given that* the deadline for this column is only shortly after Wall Street opened yesterday, this proposition may yet be classed among the other great pieces of wishful *thinking of our time, but,* whatever happens in New York, it is worth a spin.

For all the intense competition that really does exist in its own domestic economy and for *all the benefits that it has* gained from selling its products to the world at large, Japan views the free market, in its purest sense, more as an abstraction than as a law unto *itself. Thus, on Friday, it was* the Japanese banks, quite likely acting on the unseen direction of their own national authorities, who pulled the plug on the leveraged buy-out *business by backing out of the* UAL deal. Yesterday, in Tokyo, it was the same Japanese establishment of government and the big financial institutions, operating in discreet cahoots, which did its best to ensure that the damage would be contained, much as it did two years ago this week.

Conspiracy theorists may see Japanese protectionism at work. After all, the notorious T. Boone Pickens, the junk bond snake oil merchant, is stalking Japan, specifically a car parts manufacturer, preaching the seditious gospel that Japanese shareholders deserve a better return on their investment. Since the Japanese miracle is in good measure based on the notion that profits go into long term investment and not shareholder pockets, anything which implies the introduction of the Western disease of short termism is no idle threat.

Striking trauma into the hearts of the world's stock markets might seem a case of using a global sledge hammer to crack the Pickens nut. Still, Aera, a magazine published by the Asahi newspaper, gave some credence to the broader point yesterday by suggesting that Japan really was rapping the US over the knuckles for over-indulging in financial engineering when it would be better off making widgets competitive with Japan's.

In any case, if, at the end of the day, the worst result is only a market correction, a purging of speculative fever based on junk bonds, a lower dollar and even some easing in the upward pressure on interest rates (there was no good internal reason for Japan to raise its own interest rates last week, as it was reluctantly compelled to), then we may conclude that the Japanese *have done us all a service.*

Of course, we may never know the real Japanese intent on this occasion. But what we surely can be certain of is that Japan chronically dislikes uncharted waters. It prefers predictability in its internal relations – its society is very much rooted in this – and it would like the same applied in its external dealings. In no instance does this matter more than in its relations with the US.

This was brought home with a vengeance during the course of a recent week in Tokyo. Having observed earlier the shifting sands of American opinion about Japan, it seemed necessary to see if the arguments of the "revisionists" in Washington – crudely, that Japan is congenitally incapable of change, will not play by the Western rules and therefore must be forced to mend its ways – had produced a discernible reaction in Japan itself.

'At the end of the day...we may conclude that the Japanese have done us all a favour'

More fuel is also regularly being heaped on the fire. Newsweek described the Sony takeover of Columbia Pictures as Japan "buying America's soul". and ran a poll purportedly showing that Japanese economic power was now considered a greater threat to American security than Soviet military might. Carla Hills, the trade representative, was quoted as saying that Japan should remove all protection from the domestic rice market, which might be seen as a dagger at the heart of a ruling *Liberal Democratic Party still* dodging bullets from the summer's Upper House elections.

Japan has noticed. Virtually every conversation kicked off with the revisionists. Responses included the philosophical, such as Masaru Yoshitomi, director general of the Economic Planning Agency, who invoked Schumpeter's theories of different evolving balances between nations in the post-post industrial society; they ran through the mildly reactionary, with Hajime Karatsu, a prominent industrialist now attached to Tokkai University, arguing that the US had simply lost its way and could learn from Japan; they included the conventional, with Makoto Kuroda, the former Miti vice-minister who used to enjoy a bit of America-bashing himself, thinking that imbalances would come right in time and that the US was now focussing on Japan with such intensity *faute de mieux.*

More striking, however, was the absence of any sense of an alternative to a foreign and security policy based on the closest of ties with the US, in spite of the extraordinary changes taking place in the world. This can only partly be explained by the fact that the LDP, umbilically linked to the US, now looks much less vulnerable to a threat from the left than it did in the summer. It is more a question of familiarity not yet breeding public contempt.

Andreas van Agt, who is about to move from running the EC delegation in Tokyo to the same position in Washington, concurs. Europe and Japan, he laments, "do not really communicate." In spite of innumerable consultations, "our contacts remain rather superficial and ceremonial." He apportions the blame more *or less equally, which is brave* for an ambassador.

He is far from alone in suggesting that events in the Soviet empire present an opportunity and a challenge for Japan. Yet the *instinctive* Japanese interest is hard to detect. The Soviet Union may have an Asian dimension, but it is perceived essentially as a distant European power. More *than that, Japan, liking* predictability, has become comfortable in its indifference to the Soviet Union. Unless and until Mr Gorbachev makes an offer on the Kurile islands, *which* he may next year, there seems no predisposition on Japan's part to make the first move.

Equally, the Asian connection is one Japan approaches with political nervousness, and not only because of Tiananmen Square. On the one hand, Japanese investment in its own backyard proceeds apace. Last year, for example, Japanese investment in Indonesia, Thailand, Hong Kong, South Korea, Taiwan and India was, in each case, higher than in either France or West Germany. On the other, there is something close to rank indifference to the idea of Bob Hawke, the Australian Prime Minister, for a much closer degree of cooperation around the Pacific Rim.

It may be that in time Japan will become so involved with its neighbours that a yen zone will emerge, leading eventually, as the agreement over coal and steel was the father of the European Community, to something bigger. It could be that the US, currently flirting with bloc, or managed, trading, will push Japan in this direction. But, at present, Japan sees only the obstacles to such a process. Asia, the standard argument goes, does not have the cultural, religious and social common properties that are Europe's.

All of which tends to leave Japan with one viable policy option – that of reconciliation with the United States. "If necessary," one official said, going briefly and almost sarcastically off the record, "we will invent barriers for the Americans to tear down." Or, just possibly, it could mean helping to knock a little sense into the US financial markets. But this, of course, is only revisionist theory.

FINANCIAL TIMES
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Business as usual for China's showpiece

Robin Pauley and Colina MacDougall talk to the governor of Guangdong Province

CHINA'S most economically successful province, Guangdong, is refusing to implement harsh new political and economic policies proposed by the hardline leaders in Peking.

The province's governor, Ye Xuanping, in his first interview with foreign journalists since the massacre of demonstrators in Peking on June 4, said he would not allow Communist Party ideologues to interfere in the management and executive administration of businesses. He also said that the province would not introduce a scheme of compulsory savings for workers.

The Peking Government has indicated since June that party officials should resume the major role they played in business affairs before economic reforms started. The central government, increasingly short of cash and trying to curtail consumer spending, have started to introduce a scheme under which workers must spend up to 30 per cent of their income on official bonds.

Guangdong is the only province in China where economic growth has outstripped inflation, and Governor Ye appears to have won an important battle with the central leadership in resisting their changes. He has also managed to resist a move to Peking which many observers feared was imminent so that a more orthodox hardliner could be installed as governor.

"I am definitely staying. I have not completed my term and although I reached the retirement age of 65 this year I will stay the full term until 1992," he said.

He warmly praised Zhao Ziyang, the disgraced former party leader who was sacked for "mistakes" in handling the student demonstrations in May. "Comrade Zhao served as premier and during his term of service accomplished a lot."

Ye said Zhao had supported "turmoil" and engaged in activities which split the Communist Party. "But these were party problems and not violations of the law so his mistakes had nothing to do with the law." This is the strongest indication yet that Zhao still has support among senior officials and is not likely to be put on trial.

Ye said that mainstream demonstrations had led to nationwide turmoil, but in Peking they had developed into counter-revolutionary rebellion. The central authorities had to impose martial law.

"Personally, I would not have wished for that to happen, but turmoil had got to such a state I believe these measures were necessary."

However, Ye is widely believed to have been responsible for a more conciliatory approach to demonstrators in Guangdong. In the provincial capital of Guangzhou, although students blocked a crucial road bridge and disrupted rail services for several days, there was no armed intervention and the authorities waited until they dispersed.

Ye supported growing indications that Peking is getting tougher over the future of Hong Kong and said political opposition to the central government would not be allowed once Hong Kong had passed into Chinese sovereignty in 1997.

"That would go against the constitution and should not be allowed. One country – two systems means that on no account should one system oppose the other."

He said that the word "system" should not be taken to imply that political factions could be allowed in the Hong Kong system.

Peking tests Hong Kong resolve, Page 5

US budget failure triggers $16bn cuts

By Peter Riddell, US Editor, in Washington

ACROSS-the-board cuts in US Federal spending totalling $16.1bn were set to come into effect last night as the Bush Administration and the Democratic-controlled Congress continued to argue about capital gains tax reduction and future fiscal policy.

The cuts, known as sequestration, have been triggered because of the failure of Congress to pass legislation to cut the Federal deficit to the statutory target of $110bn for the 1990 fiscal year which started on October 1.

The Office of Management and Budget yesterday published its final sequestration report setting out cuts of just over $8bn from defence spending (4.3 per cent) and a similar amount from non-exempt domestic programmes (equivalent to 5.3 per cent).

The exempt categories are military spending for which contracts have been let out and domestic programmes such as social security, Federal retirement, Medicaid and some welfare programmes. The main immediate impact will be a 2 per cent cut in reimbursements for treatment and services for the elderly whose medical expenses are partly paid by the Government.

The cuts can be restored once a deficit reduction bill meeting the target by a mixture of spending and tax measures has been passed, as occurred two years ago – though in the event the deficit rose rather than fell.

The White House yesterday echoed the view of Mr Richard Darman, the Budget director, that sequestration might help the effort to reduce the deficit. Mr Marlin Fitzwater, the president's spokesman, said there "might be some benefits" to automatic cuts since the reductions in spending would be "real" as opposed to accounting gimmicks.

After the Senate last week decided to separate a cut in capital gains tax from the deficit reduction legislation, the Administration was pressing for early action on the tax issue. Mr Darman said the odds were about eight to five that a bill reducing the tax on long-term gains would be enacted by the end of this year. This is still strongly resisted by the Democratic leadership in Congress.

Mr Darman said there were various suitable financial measures now going through Congress to which a cut in capital gains tax could be attached.

"I think we have the votes," he said, explaining that there were about five legislative vehicles including the still-pending budget reconciliation bill to secure the capital gains tax reduction. But he conceded that the reconciliation bill was the least likely option in view of the Senate's recent action.

Mr Darman said it would be "a fair observation" to say that the odds on securing a capital gains provision in the reconciliation bill were "uncertain at best."

Police stay away as 100,000 march for reform in Leipzig

By Leslie Colitt in Leipzig

MORE THAN 100,000 protesters in the East German city of Leipzig, chanting "We are the People," last night staged the largest demonstration ever held in the country – and the police were nowhere to be seen.

The protests put fresh pressure on the country's hardline Communist leaders to allow opposition groups to function openly.

A repeated roar from the crowd was: "Legalise New Forum," the largest of the pro-civil rights groups to have emerged in the wave of dissent that has shaken the country since the summer.

Yesterday's demonstrations began at four Leipzig churches where services were held for the release of political prisoners and for reforms. Throughout the day, city officials broadcast pleas through loudspeakers in the streets, calling for the population not to demonstrate.

"Demonstrations can easily become violent. What we need is peaceful dialogue," the Mayor of Leipzig said in his appeal. The pleas were ignored.

The crowd repeatedly shouted: "We don't want words; we want deeds," and sang the Internationale in the vast square in front of Leipzig's Gewandhaus Orchestra building. "Freedom to travel," the crowd shouted, holding up banners calling for contested elections.

Reports from the nearby Buna engineering plant said several thousand workers had laid down their tools in protest against the lack of reforms and against travel restrictions.

The crowd in Leipzig was good-natured, despite the politically charged atmosphere.

"You are witnessing history," a middle-aged engineer from Halle said. He left the Communist Party six months ago in protest against what he called "endless lies."

"These people come from all walks of life," one member of New Forum said.

A man of about 80 hobbled along with the demonstrators.

"I haven't seen anything like this since we Social Democrats demonstrated here against the Nazis in 1932," he said.

Leipzig was traditionally a socialist stronghold before the Second World War.

Soviet Party commission urges end to job appointment system

By Quentin Peel in Moscow

A TOP-LEVEL commission of the Soviet Communist Party has recommended that the party scrap the infamous *nomenklatura* system which dictates the appointment of virtually all the key officials throughout the Soviet economy.

The decision, which if implemented would strike at a fundamental pillar of Communist rule, was taken last week by the Communist Party Central Committee commission on party development and personnel policy. Its chairman, Mr Georgy Razumovsky, is an alternate Politburo member and close ally of Mr Mikhail Gorbachev.

The recommendation comes as the party suffers from a crisis of confidence and is under unprecedented attack for its stultifying role in Soviet society.

An extraordinary public opinion survey, carried out by two sociologists from the central committee, was published at length in yesterday's issue of Pravda, showing a large and growing degree of public scepticism about the ability of the ruling party to reform itself.

Indeed, only a minuscule 4 per cent of those polled believed the authority of the party was still "high", compared with almost a half who said it was low.

"The condemnation by the public of the party apparatus is growing, and they are being blamed for the slow pace of perestroika," the researchers concluded. Almost two-thirds of those polled were critical of their regional, city or district party committees.

Indeed, an astonishing 73 per cent of party members believed that workers of average and below average ability were in a majority in party organisations.

Against that background, the Razumovsky commission's recommendation to "scrap the system of membership registration and control of nomenklatura" can be seen as part of an urgent attempt to breathe new democratic life into the party and state bureaucracy.

The commission recommended multi-candidate elections for personnel appointments "while at the same time respecting the democratic rights of bodies holding the elections."

It also called for greater democracy within the party with membership of party committees no longer being dictated by the jobs people held.

At the same time it called for the "decentralisation of personnel administration," to delegate powers of appointment from the top to the bottom.

The *nomenklatura* system has traditionally allowed the ruling party to dictate who was appointed in as many as 3m key jobs throughout the economy. Every party committee, from the district to the central committee, had two lists: one with jobs to be filled by nominees, and the other with names of those regarded as suitable.

Even managers of department stores, as well as factory managers, farm directors and the like were included.

The decision by the Razumovsky commission must now go to the Politburo for endorsement, and then the full Central Committee before the real challenge begins of putting it into effect.

Moscow acts on co-operatives

By Quentin Peel in Moscow

THE SUPREME SOVIET yesterday imposed new controls on co-operative businesses – the Soviet Union's fledgling private sector – in an attempt to appease popular discontent with rising prices and profiteering.

However, deputies in the parliament still failed to agree on more drastic controls, which would ban state officials from participating in such ventures and outlaw those businesses buying and reselling goods from the state sector.

The main new control will be at the level of local councils (the town and district soviets), which will now have the power to set maximum price levels for co-operatives in their areas.

A second restriction would be to enforce state control over prices in the private sector, wherever raw materials are supplied from state sources.

The measures have been sharply attacked by members of the co-operative movement, who say that control on excess profits should be imposed through financial instruments like taxation, rather than the reimposition of rigid central controls.

However, the deputies, whose debates are now televised at length on Soviet television, were clearly aware of the scale of popular discontent with rising prices. They roared their approval for speeches attacking co-operatives, while listening sceptically to speeches in their defence.

None the less, they failed to agree on a tougher series of measures in a special decree, which will now have to be debated again today. This includes, in particular, the question of whether to ban outright those co-operatives involved in simple redistribution from the state to the private sector.

The subject of the co-operatives, which account for barely 1 per cent of economic activity in the Soviet Union, has caused more heat than any other in the Supreme Soviet since it was elected in June.

The co-operatives are accused of speculation, or profiteering, for buying goods from state enterprises and reselling them at much higher prices.

Airbus turns to markets for A-321 financing

By Paul Betts, Aerospace Correspondent, in Toulouse

AIRBUS INDUSTRIE, the European aircraft consortium, has for the first time decided to turn directly to the commercial financial markets to fund the development of a new aircraft programme.

The consortium is seeking $500m in development funds to launch its new A-321 short-to medium-range aircraft, a stretched derivative of its best-selling A-320

The decision is a further step forward in the European consortium's effort to adopt a more market-orientated approach since its restructuring in April and the appointment of a new financial director.

Airbus also believes the move could help ease tensions in the long-running transatlantic trade war with US aircraft manufacturers which have complained about Airbus subsidies.

The four partners in the European consortium – Aerospatiale of France (37.9 per cent), Messerschmitt-Bölkow-Blohm, of West Germany (37.9 per cent), British Aerospace (20 per cent) and Casa of Spain (4.2 per cent) - have up to now funded the research and development costs of Airbus programmes by raising their part of the investment with or without refundable government launch aid.

But Mr Jean Pierson, the Airbus chief executive, said yesterday in Toulouse during the delivery ceremony of the first A/320 to Lufthansa, the West German airline, that the consortium would raise for the first time the development funds for the new A/321 without government launch aid.

The consortium has asked banks to tender proposals for the financing of the programme. Mr Pierson indicated that bids for the A/321 financing would be examined by the Airbus supervisory board at the end of this month.

Airbus has already secured 181 orders and options for the new stretched A/321 aircraft, including 107 firm orders. The consortium indicated earlier this year it needed at least 40 firm orders before being able to launch the new programme.

The European consortium now hopes to secure the necessary financing to launch officially the A/321 programme before the end of this year to ensure first deliveries of the new aircraft to customers, including Lufthansa, in January 1994. Airbus has booked total firm sales of more than 1,200 aircraft valued at $72bn and has delivered more than 500 aircraft since it launched its first wide body twin A/300 aircraft 20 years ago.

●EC Ministers yesterday approved a limited directive aimed at cutting noise levels of some older aircraft. The measure bans Community airlines from buying Chapter 2 craft from non-EC carriers while continuing to trade them within the Community. Council meeting report, Page 2

THE LEX COLUMN

A random walk on the wild side

Even before the dust had settled yesterday, the markets were coming to suspect that it had all been a dreadful mistake. It is hard to point to anything in the real economy which either might have caused Wall Street's slump or has been affected by it. The Fed will doubtless now ease its monetary stance, but that could have happened anyway. Otherwise, the dollar is down, the D-Mark is up and leveraged deals are in bad odour. So far, so normal.

The UAL deal is presumably dead; the Hoylake bid for BAT – judging by the 21 per cent fall in the price of Anglo, the bid vehicle – looks badly injured. As for Japan's part in it all, the conspiracy theorists might be on to something. Japanese corporations were yesterday buying dollars a couple of Yen cheaper than on Friday: Japanese institutions were paying 7 per cent less for Wall Street and 25 per cent for Japanese warrants in London: and the Japanese banks, when they come to finance the next US leveraged deal, will doubtless get double the fees and a couple of extra points on the coupon.

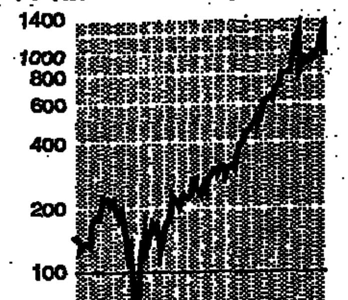
After the strain of an extraordinary four days, it goes against the grain to dismiss such an upheaval as meaningless. Wall Street, after all, fell 250 points on the run before it turned. But a market movement is primarily the expression of opposing forces; it need not necessarily be the messenger of anything. If there was an ulterior meaning behind the rise and fall of prices in 1987, it has yet to be satisfactorily identified.

Then again, there is something a little glib about yesterday's consensus in the investment community that the whole affair could be forgotten about. The movements in – for example – the D-Mark and German equities may have been irrationally opposed, but they were none the less violent for that. Nor is it quite clear why the oil market should have been so jumpy, moving in line with equities to an unusual degree. Above all, one can scarcely conceive of equities suddenly producing a one-day upward movement on this scale. With the important exception of Tokyo – perhaps the one rational market around – the world has a bearish feel to it.

For London, this is scarcely news. Granted, UK equities were at no point this year quite so overvalued as in 1987. At its peak, the 1987 market was on over 13 times actual earnings for 1988; last month's peak valued 1990 earnings at under 12 times, even on a worst case of zero growth from 1989. But at yesterday's close the FT-SE was still more than 20 per cent up on the start of the year. Before Wall Street turned the corner yesterday, there were signs of real selling starting in London. If the institutions once more see their year's gains as seriously at risk, that would break out again. And the week, after all, has only started.

All-Share

FT-Actuaries Index (Log scale)



Currencies

Friday's events on Wall Street may have saved the G7 central banks some work, in that the dollar was pushed down to a level where the West Germans – if not yet the Japanese – can feel comfortable. Ironically, part of the reason for Wall Street's fall was traders' doubts, based on Friday's inflation figures, that the Fed would allow interest rates to ease. Easing now looks inevitable; US short rates were half a point lower yesterday, and the Fed only has to ratify an accomplished fact. That will encourage the dollar to drift lower, as will investor nervousness after the publicity about the leveraged state of corporate America and the possibility of a US economic downturn.

The Bundesbank can feel happiest with the weekend's events, despite the sharp fall in the German equity market. Pressure for a D-Mark revaluation in an EMS realignment appears to be growing satisfactorily, which will further put the lid on German inflationary pressures.

But continued pressure on sterling looks inevitable if investors switch out of the dollar into the new safe haven of D-Mark assets. Although the pound was on the sidelines yesterday, it still lost a couple of pfennigs in London trading.

The Chancellor's policy options look severely limited. He cannot raise rates to defend the pound with the markets in their present mood. He is also one of the few world finance ministers who cannot cut rates if the slide in equities continues. After all, he is now blaming the UK's current problems on the over-lenient monetary policies he adoped after Black Monday. Some traders are still hoping that he will produce the ERM rabbit from his top hat at the Mansion House; if he does not, they are likely to take out their disappointment on the pound.

Global equities

It was perverse that a 7 per cent fall in Wall Street should translate into a 13 per cent drop in notably under-leveraged West German equities yesterday. It seems downright batty for anxieties emanating from the UAL debacle to push Daimler-Benz's shares down 15 per cent, twice as far as General Motors fell on Friday.

The remarkable depth of West German investors' *angst* yesterday was only one of many anomalies in world markets. But the fact that equities could drop that far in an economy still expecting 3 per cent inflation and double-digit corporate earnings growth in 1990 looks like one of the best pieces of evidence that the last four days have made little lasting sense.

Taking the markets in turn, it is possible that Wall Street has flushed out real tensions lurking beneath the surface of investor sentiment. In Germany, equities were starting to look dear against the bond market. Paris, with dividend yields down to about 2.5 per cent after an autumn of bid speculation stirred up by the Suez/Industrielle battle, was perhaps overdue for a correction. Given the sharp turn of US sentiment against high levels of corporate debt, it was no surprise that many Australian companies, notably News Corporation and Adelaide Steamship, should see big falls; and the 7.5 per cent drop in Swedish equities could be seen as a reaction to the speculative flurry over Volvo's talks with Renault.

But after running through the markets in this way, it is hard to see any convincing reason why all these corrections should have occurred simultaneously. And in all cases, particularly West Germany's, it is not enough to rely on simple historical comparisons with what happened two years ago.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	22	72	Dubrovnik	S	16	61	Malta	F	23	73	Rhodes	C	22	72
Algiers	S	24	75	Edinburgh	C	17	63	Manchester	C	15	59	Rio de J'o	C	27	81
Amsterdam	F	15	59	Faro	R	20	68	Manila	C	34	93	Rome	S	20	68
Athens	S	22	72	Florence	S	18	64	Melbourne	F	17	63	Salzburg	S	14	57
Bahrain	S	31	88	Frankfurt	S	12	54	Mexico City	F	24	75	San Francisco	C	11	52
Bangkok	F	33	91	Funchal	F	22	72	Miami	S	26	79	Seoul	F	12	54
Barcelona	F	29	[illegible]	Geneva	S	12	54	Milan	S	18	64	Singapore	F	29	84
Beirut	–	–	–	Gibraltar	R	18	65	Montreal	C	9	48	Stockholm	F	7	45
Belfast	R	16	61	Glasgow	C	16	61	Moscow	C	8	48	Strasbourg	S	13	55
Belgrade	F	12	64	Guernsey	S	16	61	Munich	S	13	55	Sydney	S	20	68
Berlin	C	12	54	Helsinki	S	10	50	Nairobi	F	25	77	Taipei	C	23	73
Biarritz	S	18	68	H. Kong	S	28	82	Naples	S	19	66	Tangier	C	20	68
Bombay	S	24	75	Innsbruck	S	12	54	Nassau	–	–	–	Tel Aviv	S	26	79
Bordeaux	S	18	64	Inverness	F	13	55	New Delhi	S	30	86	Tenerife	S	26	79
Brussels	C	15	59	Islamabad	F	28	82	New York	C	17	63	Tokyo	C	22	72
Budapest	F	14	57	Istanbul	R	13	55	Nice	S	20	68	Toronto	S	13	55
B. Aires	F	26	80	Jakarta	C	32	90	Nicosia	F	25	77	Tunis	G	23	73
Cairo	S	30	86	Jersey	S	17	63	Oporto	S	24	75	Valencia	G	18	66
Cape Town	S	20	68	Jo'burg	F	25	73	Oslo	C	5	41	Venice	S	17	63
[illegible]															

Markets rally and pull back from abyss

Continued from Page 1

At the end of yesterday's volatile trading the Treasury said it was reassured by the London equity market's recovery. However the pound closed lower as international funds flowed into the D-Mark.

The strength of the D-Mark contrasted with the sharp drop in West German equities. The West German bond market rose a point following the "flight into quality," precipitated by the falls in Wall Street and the dollar.

Technical factors in London boosted UK Government bonds. In New York, bonds faded after early strength with the benchmark long Treasury bond quoted 1¼ points lower to yield 7.97 per cent.

Wall Street, which created yesterday's mayhem on financial markets with Friday's sharp fall, appeared to have solved it with its rise by late yesterday.

There was a widely anticipated slump as soon as the market opened as issues which had been halted on Friday resumed trading. A substantial backlog of sell orders had to be executed and another wave of programme selling hit the floor, pushing the Dow Jones average down by around 60 points.

A misalignment of the Standard & Poor's futures contracts and the underlying stocks added impetus to early falls.

When this relationship reversed in mid-morning, blue chip issues rebounded as investors sought quality companies. In marked contrast, airline stocks fell precipitously.

INSIDE

Commodity prices driven down

The turmoil in world stock markets drove down commodity prices in London yesterday morning as some investors sold to raise cash. However, by the end of the London trading day, prices had recovered some losses. Gold bullion prices surged but could not break through the psychologically-important $370 an ounce barrier. Other precious metals followed. **Page 40**

Yorkshire Bank on block

Yorkshire Bank, the regional bank owned by four clearing banks, was formally put on the block yesterday, heralding one of the most *significant bank auctions* in the UK for some time. National Westminster Bank (which owns 40 per cent), Barclays (32 per cent), Lloyds Bank (20 per cent) and the Royal Bank of Scotland (8 per cent) finally confirmed their long-expected decision to sell the bank. **Page 30**

Oodles of noodles

French foods group BSN is filling its larder with companies. After RJR Nabisco's European biscuit operations and Italy's Galbani cheese company, it is now to take over West Germany's second largest pasta and noodles maker, Birkel. BSN will vault over market leader Drei Glocken to take first place in the West German pasta producers league, complementing its role as the leader in spaghetti sauces. **Page 27**

Flying in the face of pessimists

Australian freight operator TNT, headed by Sir Peter Abeles (left), has defied the sceptics who reckoned that its overnight air express service would fail. According to the head of TNT Express Europe, Mr Alan Watson, the service will break even this year, 12 months ahead of expectations. TNT's approach was bold, *buying five years' production of* BAe's 146 Quiet Trader – 72 aircraft, costing US$1.5bn – in 1987, as the first step in its strategy to provide across-the-board European freight services ahead of 1992. How well the group is doing financially, however, is still difficult to gauge, reports Chris Sherwell. **Page 29**

Understandable cynicism

Two years ago, when EC pig producers were, in the midst of one of their deepest and most sustained recessions on record, they were told by governments and the EC Commission that their markets would improve if they reduced numbers. Now, with prices at an all-time high and production very profitable, there are plans to halve levies on pigmeat imported from third countries to increase community supplies and cut prices in the shops. Is it any wonder that farmers who are the victims of such double standards are cynical of politicians? asks David Richardson. **Page 40**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Falls			
Degussa	430	−	102
Henkel	475	−	93
Karstadt	505	−	118
Man	315	−	84
Nixdorf	275	−	92
Viag	270	−	60

NEW YORK ($)

Rises			
Hilton Hotels	$94\frac{7}{8}$	+	$6\frac{1}{2}$
IBM	103	+	$\frac{3}{8}$
Philip Morris	$43\frac{1}{8}$	+	$2\frac{5}{8}$
Proctor Gamble	124	+	$4\frac{1}{4}$
Falls			
AMR	$21\frac{5}{8}$	−	$76\frac{3}{8}$
UAL	$56\frac{3}{4}$	−	223

PARIS (FFr)

Rises			
BP	982	+	46.1
Falls			
Bollore	869	−	120.4
Geophysique	750	−	115.1
SFIM	1450	−	238.2
UCB	231	−	39.1
UFB-Locabail	515	−	71.5

TOKYO (Yen)

Rises			
Sazanai Ind.	1440	+	180
Unozawa-Gumi	1700	+	160
Falls			
Fuji Fire	1470	−	160
Ohkura Elect.	1930	−	220
Sanwa Soko	1030	−	120
Sony Mag.	2900	−	320

LONDON (Pence)

Falls			
ASDA Grp.	151	−	8
Allied-Lyons	478	−	16
Anglia Secure	84	−	7
BAT Inds.	758	−	60
Barclays Bk.	483	−	11
Bennett & Fin	44	−	21
Brit. Aero	558	−	27
Cable & Wire	499	−	24
Cadbury-Schweps	354	−	18
GKN	384	−	10
Jaguar	648	−	29
Land Sec.	506	−	10
Low (Wm.)	274	−	31
Lucas Inds.	587	−	28
Morgan Grnfell	372	−	27
RHM	416	−	23
Racal Elect.	230	−	13
Reuters	878	−	37
Sainsbury (J)	249	−	5
Scot. & New.	370	−	15
Std. Chartered	493	−	20
Unigate	331	−	24
Union Discount	520	−	35
Warburg (S.G.)	378	−	39

MARKETS IN TURMOIL: IN A THREE-PAGE REPORT WE EXAMINE YESTERDAY'S EVENTS

United Airlines bid is dead, BA admits

THE $6.8bn management-led bid for UAL, parent company of United Airlines, is dead in its present form, British Airways conceded yesterday.

BA was to have taken a 15 per cent stake in the buy-out, the collapse of financing for which sparked Friday's collapse in share prices on Wall Street.

Although BA remained committed to seeking an interest in UAL, it indicated that it was likely to be weeks, rather than days, before any alternative plan was put to UAL shareholders.

Separately, Mr Donald Trump said he would not proceed with his proposed $7.1bn offer for AMR, parent of American Airlines, although he held out the possibility that he would return at a lower price.

On Wall Street, despite persistent rumours that a revised bid was imminent, UAL shares plummeted and closed $56¾ lower atto $223. The buy-out team had been offering $300 per share.

BA's effort to spike expectations of an early renewal of its bid followed indications from Tokyo that financial sweeteners alone were unlikely to persuade Japanese banks to drop their opposition to the funding plan.

Several banks said yesterday they would consider new proposals being put together by Citibank but some insisted there would have to be fundamental changes.

The original plan collapsed after several Japanese banks turned down the proposals or said they would put only $100m or so into the venture, against $500m or more needed to make it a success.

Trump pulls out, Page 30; Japanese banks unconvinced and BA chief in Tokyo, Page 31

Wall Street's investors kept their heads yesterday, disappointing prophets of doom outside the New York Stock Exchange

EXTERNAL THREAT TO CHANCELLOR'S POLICY

Lawson faces storm force of a free market

"A free country in a free world is always at risk from high winds and rough seas."

LAST Thursday Mr Nigel Lawson, the UK Chancellor, told the Conservative Party Conference that market forces in a deregulated age can pose problems for modern economies and their Governments.

But he cannot have imagined that, a mere 31 hours after receiving his standing ovation from the party faithful, the Dow Jones Industrial Average would have started a free fall that was to leave it 190 points lower at the end of Friday's trading.

After a day of wild movements, the FT-SE 100 share index in London closed only 3.16 per cent down yesterday. But Friday's Wall Street fall and the sharp early slide in the London equity market yesterday highlighted the policy dilemma that faces Mr Lawson.

The drop in equity prices may have increased already growing chances of the British economy tipping into recession. But the weakness of sterling against the D-Mark – it lost 2 pfennigs yesterday – underlined the external threat to the Chancellor's counter-inflation policy and banished any thought – at least for the time being – of easing monetary policy to rebuild investor confidence.

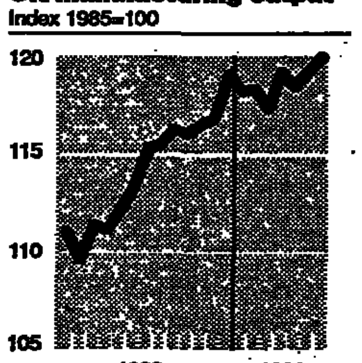
'With the benefit of hindsight, the economy then [in 1987] was much stronger than it is now' — Mr Peter Spencer, Shearson Lehman Hutton

After the FT-SE index had fallen by about 200 points, Mr Lawson issued a statement around midday in which he drew a parallel with developments after the global stock market crash of October 1987. He said that now, as then, sharp fluctuations in the stock market need not significantly affect the real economy.

However, City analysts were quick to stress the differences between the 1987 market meltdown and the latest equity market slump in its effects on Britain.

"With the benefit of hindsight, the economy then was much stronger than it is now," commented Mr Peter Spencer, UK economist at Shearson Lehman Hutton in London.

UK manufacturing output
Index 1985=100



The British economy in 1987 was on an upward trajectory that culminated in last year's domestic demand growth of 6.5 per cent. Although the slack in the economy at present is probably about the same as it was two years ago, it is slowing as a result of the step-by-step increase in base rates to 15 per cent from 7.5 per cent since the summer of last year.

The industrial production figures for August, published yesterday, pointed to remarkable resilience in the economy. But other indicators suggest that it has passed its peak.

The retail trade, according to Mr Nigel Whittaker, chairman of the CBI's distributive trades survey panel, is "subdued."

The housing market, which was roaring ahead two years ago, shows sales at a standstill and declining prices. In 1987 rising house prices offset the deflationary effects of the loss of wealth caused by the stock market crash. This time, no such countervailing force exists.

The huge current account balance of payments deficit – likely to be around £20bn this year – is undermining Britain's international position. Two years ago sterling was moving upward. Now, as yesterday's market developments showed, it is vulnerable even with the support of very high base rates.

Admittedly, few economists would regard yesterday's foreign exchange market movements as representing the last word on sterling's international stature. The pound was buffeted by the gyrations of the equity markets. Analysts also said it was difficult to predict how the dollar would move in the longer term.

But there was general agreement that the Chancellor will not be able to cut base rates as he did at the end of the week of the October 1987 crash. "That base rate cut saved the day and was very supportive," said Mr Spencer of Shearson Lehman.

Any less dramatic move to pump liquidity into the market could rebound against the authorities. It would, one analyst argued, tend to lower overnight money market rates. These rates influence the pound's international value, so putting it under more downward pressure.

Mr Paul Chertkow, chief international economist of Drexel Burnham Lambert Securities in London, suggested that Mr Lawson must produce a significant surprise in his speech to the City of London on Thursday.

"He needs a medium term financial strategy again. At least, the Government should entertain the possibility of declaring a new readiness to join the exchange rate mechanism of the European Monetary System," he said.

Mr Chertkow argued that Mr Lawson has little time to restore confidence in financial markets. Besides the risk of recession, engendered by 15 per cent base

The huge current account balance of payments deficit — likely to be around £20bn this year — is undermining the UK's world position

rates, he has now to look forward to an austere Budget next March. The state of the economy could add to the signs of Government weakness, creating a "treadmill for the Chancellor that will be very hard to get off."

However, Mr Giles Keating, director of research at Credit Suisse First Boston, said that the equity market falls could help Mr Lawson if they cool pressure on world interest rates.

But nearer home in West Germany, there was little sign yesterday that the Bundesbank would come to Mr Lawson's aid. Officials indicated that they did not regard it as the job of a central bank to underpin prices on equity markets through lowering interest rates. In words that could have been inspired by Mr Lawson's conference speech last week, one official observed that equities "are a market where prices go down as well as up."

Peter Norman

REPORTS OF POLICY DISAGREEMENTS ARE DISMISSED

Bush and Fed mount display of harmony

THE BUSH administration and the Federal Reserve yesterday mounted an ostentatious display of unity to reassure financial markets, following recent reports of policy disagreements.

The common theme yesterday in remarks by President George Bush and Mr Alan Greenspan, the Federal Reserve chairman, was that the relevant agencies have been keeping a close watch on the situation and there is nothing to worry about.

Even Mr Richard Darman, the Budget director, who has in the past been critical of the Fed for excessive caution over interest rates, was yesterday unstinting in his praise of Mr Greenspan – who had a record of having responded "very well to the 1987 market crash." The Bush administration, he said, has confidence that Mr Greenspan "will use his authority at the Fed sensibly in this instance."

Mr Nicholas Brady, the Treasury Secretary, met Mr Greenspan for a couple of hours on Sunday afternoon. Co-ordination between the key officials has, according to Mr Darman, been "more or less continuous since Friday."

Mr Greenspan, Mr Brady and Mr Darman are well aware of the perils of not pulling together in a crisis; and to some extent the sharp fall in share prices on Friday may have eased differences

Alan Greenspan

over interest rates by making an early reduction more likely.

Divisions between the administration and the Fed should not be overdone – as they were last week by the exchange market's sharp reaction to Mr Greenspan's remarks in Moscow on monetary policy.

Nonetheless, there are clear differences of emphasis and of priority – and probably always will be institutionally between the Treasury and the Fed.

These are over the balance between fighting inflation and economic growth, over the Third World debt strategy and over the scale of any foreign exchange intervention. The latter was underlined only three weeks ago when two Fed governors, including Mr Manuel Johnson, the vice-chairman, voted against increasing foreign currency funds to force down the dollar.

It is perhaps a measure of the non-confrontational style of President Bush that he and senior members of his administration seek to contain such differences.

However, the appearance of unity is impossible to maintain between the Democratic-controlled Congress and the Republican administration. Relations have worsened in recent weeks, largely because of the arguments over capital gains tax which have held up the Budget deficit reduction bill in Congress and led to last night's across-the-board cuts in Federal spending.

There is now mutual recrimination over who is to blame for the fiscal stalemate. Mr Leon Panetta, the Democratic chairman of the House Budget committee, said on Sunday that if share prices fell further this week the president and Congress would be forced to take a much harder look at fiscal policy.

Senator George Mitchell, the normally cautious Democratic Majority leader, has warned, however, that, "there is no prospect of any so-called grand compromise or deal (on deficit reduction) next year because the administration simply didn't live up to this year's deal."

Peter Riddell

UK INSTITUTIONAL INVESTORS

Fund managers keep their nerve in the electronic casino

BRITAIN'S professional investors reacted to the ups and downs of yesterday's markets with a surprising degree of sang-froid.

"We are dealing with an electronic casino," observed one fund manager, "and it's bloody hard to know what's going on. But one thing is for certain – it's no rerun of the October 1987 crash."

This basically sanguine view was shared by a majority of the institutions contacted by the Financial Times yesterday. Whilst bewildered by the volatility of the market, few fund managers found the need for a radical reappraisal of their investment strategy. Many said the fall should be seen as an opportunity to buy into the UK market at sensible prices.

"It's actually quite good news," said one manager of a large pension fund, "in that it takes the spotlight off Mr Lawson and the UK's economic woes. Investors will be tempted to deploy some of their large cash balances in the market again. The market had come down since the heady days of August and we thought it was showing good value last week. It is showing even better value now."

His recommendation is to buy high-yielding alpha stocks such as British Telecom and British Gas, as well as companies with a high degree of overseas exposure. Lowly-geared companies would be attractive, he said, and small company shares could represent good value as they had fallen *indiscriminately* yesterday.

"Back in October 1987," he observed, "the market makers were caught out because it took a few days before they marked down smaller company share prices. They don't want to make the same mistake twice but I think they've overdone it – small companies were undervalued already."

Investors with long-term horizons, such as insurance companies and some pension fund managers, could afford to be regard the day's events with equanimity.

But fund managers investing on behalf of the general public – for example unit trust managers – had to sell shares in order to meet cash-calls from investors redeeming their units.

"There was an enormous amount of press speculation over the weekend," said Mr Paddy Linaker, managing director of M&G, "and this drove small investors to sell their units this morning. The full statistics are not yet ready but there really was not very much selling, under the circumstances. There was no panic."

David Waller

WORLD MARKETS IN TURMOIL

US INVESTMENT AND COMMERCIAL BANKS

Wall Street counts the cost of junk bonds

DESPITE the morning's sharp recovery by the Dow Jones Industrial Average, the prospects for the denizens of Wall Street – both the investment and the commercial bankers – seemed considerably bleaker yesterday than they had been a few days before.

Whatever happens to the stock market over the coming weeks and days, the extraordinary lucrative merger and leveraged financing business will never be the same again.

That will be bad news for both the investment and commercial banks' reported profits, but it is also a long-term problem.

In the short term, both groups of Wall Street institutions seemed to have relatively little to fear from the sudden stock market crisis. There was no need to call on the numerous emergency lines of credit extended to Wall Street brokerage houses by the New York banking community.

Nor was there any serious anxiety about another potential Wall Street nightmare – the estimated $7bn the investment banks have outstanding in "bridging loans" to leveraged acquisition groups.

Wall Street's vulnerability to the collapse of the leveraged takeover market did not lie in any direct threat to solvency. The biggest bridging loans outstanding are to the relatively strong leveraged groups.

Most of the money has been advanced by investment banks with powerful financial parents. First Boston is now effectively a part of Credit Suisse, Shearson Lehman is majority-owned by American Express, DLJ belongs to Equitable Insurance and Merrill Lynch is big enough to withstand any conceivable losses.

Even assuming that the junk bond market never recovered, the bridging loan problem would be more of a headache than a nightmare.

Its worst effect would be to tie up large amounts of capital for the Wall Street firms involved. At present, though, even this would not be much of a threat. As Mr Perrin Long of Lipper Analytical Services, points out, for the Wall Street houses to have their capital tied up in such high-interest loans is no great hardship at a time when there is little else for investment banks to do with their money.

The real problem lies not in the deals waiting to be refinanced, but in the financings Wall Street has undertaken already. And contrary to popular belief, the potential difficulties are probably more serious for commercial than for investment bankers.

The Wall Street brokerage houses do not make long-term investments in junk bonds for their own account. They simply hold the bonds until they can sell them off to permanent investors.

The "street" as a whole is estimated by one investment manager to hold a combined inventory of around $5bn worth of unsold junk bonds. Assuming that these eventually have to be placed with investors at somewhere around the current depressed market prices, the losses will be substantial but by no means crippling.

Mr Long of Lipper Analytical says that brokerage house managements expect their junk bond problems to cut their pre-tax earnings by around 5 per cent in the current quarter.

US commercial banks, by contrast, have a significant and permanent exposure to leveraged financings and buy-outs. According to their latest quarterly reports, the US money centre banks had between 49 per cent and 209 per cent of their equity exposed to "highly leveraged transactions" – a term that each bank defines in its own way, on the basis of guidelines approved by the Federal Reserve Board.

The figures revealed that leveraged financings are now a greater potential threat to US commercial banks than Third World lending.

Until last week, US commercial bankers were able to argue, with varying degrees of plausibility, that much of their leveraged financing exposure could still be sold off through syndications to banks abroad, especially in Japan. Last week's collapse of the UAL deal put an end to that hope.

Anatole Kaletsky

US BANKS' EXPOSURE TO HIGHLY-LEVERAGED TRANSACTIONS*

(As at June 30 1989)

Bank	Loans outstanding ($bn) ($bn)	Commitments and other investments equity	Total exposure ($bn) equity**	HLT exposure as % of	LDC exposure as % of
Citicorp	5.3	7.8	13.1	125	86
Chase Manhttn	3.0	4.3	7.3	144	106
J P Morgan	1.5	1.5	3.0	49	57
Bank America	1.1	1.3	2.4	49	123
Chemical	2.0	1.1	3.1	76	107
Man Hanover	3.7	1.7	5.4	162	192
Bankers Trust	3.2	3.7	6.9	193	81
Bank of N Yk	3.9	2.0	5.9	192	50
First Chicago	1.2	2.4	3.6	139	42
Continental	2.1	1.4	3.5	204	64

* Highly-leveraged transactions as defined by each bank in its quarterly financial reports (Generally includes LBOs, takeovers and refinancings)
** LDC exposure net of LDC reserves

Source: Keefe Bruyette & Woods

GOVERNMENT STOCKS

Investors seek bond 'quality'

INVESTORS were willing to pay sharply higher prices for the security of government-backed debt yesterday, as the equity market continued to show its volatility.

As in October 1987, the faltering stock market revived interest in government bonds. Investors liquidated stocks to invest in bonds during unusually hectic trading.

In the UK, the investors favoured most sovereign debt issues, and UK government bonds – gilts – gained strongly, though only half as much as two years ago. They opened three points higher in price than on Friday, mirroring investors' "flight into quality" to government bonds and away from the unsettled equity market.

Mr Avinash Persaud, a monetary economist at UBS Phillips and Drew, said that price movements were a result of "gilts following Footsie step by step in the opposite direction."

The long gilt future – the best indicator of the longer-dated maturities – opened sharply higher at 93.16 in price, rising to a high of over 94 before closing just below the day's highs.

The market is in little doubt that yesterday's gains and the heavy trading volumes will not last the week.

The spurt in gilt prices was a "flash in the pan," and the outlook for gilts remains "bearish" given the lack of liquidity in the market, said Mr Persaud.

In other markets, government bonds also tracked the price indices closely. Traders tried to ensure that bonds benefited from investor's flight to liquidity and quality.

German bunds were sharply higher in the morning, and trade was heavy, particularly in futures contracts. A record volume of 58,000 contracts were traded.

French and Japanese government bonds also showed impressive gains early in the day, before the fluctuations of the price indices in the afternoon brought prices down from the day's highs.

In most markets, bond movements did the opposite of the indices to close higher than on Friday.

However, there is a general view among bond traders that the equity market will rally and restore last week's levels soon.

Rachel Johnson

SECURITIES

Firms less vulnerable than in 1987

SECURITIES firms in the UK were less vulnerable to a collapse in the equity market yesterday morning than they had been on Black Monday two years ago. As a result, the heavy losses of the 1987 crash were unlikely to be repeated, even if the market had remained at the depths plumbed during the day.

According to one Stock Exchange estimate, produced at noon after a morning spent hastily gathering information: "There are roughly half the open positions, by value, that there were two years ago."

Securities firms were quick to claim that they had cut their holdings of stock in recent weeks in anticipation of a downturn. The bearish mood of the past few weeks, which had already seen nearly 10 per cent knocked off share prices before yesterday, had prompted this reaction.

Mr Peter Holloway, head of market-making at Barclays de Zöete Wedd, said before the market opened yesterday: "There haven't been that many people in the market prepared to take a position for a while.

"The market is a bit wiser, and a bit leaner and hungrier, than it was in 1987."

There is a lucky side as well. Markets had never returned to the volumes of trading seen before the 1987 crash, so the positions held by market makers were likely to be substantially lower, said one Stock Exchange official. He confessed, though, that at least "one or two firms" had read the market correctly and left themselves short of stock in anticipation of a fall.

Yesterday's lower exposure was due also to there being far fewer uncovered positions on the options market compared to 1987. At that time, according to one informed view, "people thought it was a free lunch, almost the philosopher's stone."

Securities houses are also likely to be less exposed as a result of their corporate business than in 1987.

According to Mr Michael Sargent, joint head of equities at Warburg Securities: "It is very different to last time – last time around, everyone was committed up to the gills in underwriting."

Firms that had underwritten BP's share issue, in particular, were badly hit by the crash – especially Canada's leading securities houses.

However, there are likely to be undisclosed stakes in client companies which are eating into whatever profits firms have been able to claw together during the market surge that has characterised most of this year.

The most noteworthy such stake last time around was County NatWest's near-10 per cent holding in Blue Arrow. This hidden position cost the bank £49m – compared to the £20m which it lost during the crash from its normal market business.

Such stakes, if they exist, will be much clearer to the authorities than they were in 1987. At that time, the Stock Exchange knew the size of County's stake, but not the name of the company concerned. This time the Securities Association, which has taken over the job of monitoring firms' financial positions, will know the names of the companies in which firms have large positions – giving them a better idea of the actual risk.

Yesterday the indications were that securities firms could take everything the market threw at them without seeing their capital bases in danger of being seriously depleted at any stage.

If a firm's capital sinks below 120 per cent of the minimum capital prescribed for it under TSA rules, it must report this to the authorities. Even when 200 points had been wiped off the FTSE 100 index, an official was able to say: "They're all reasonably healthy at the moment. People do carry heavy surpluses in their capital."

TSA announced that it would begin monitoring firms' positions each day – a repeat of the Stock Exchange's careful watch on the market in 1987.

However, of more long-term importance will be the effect on equity business.

If, as happened in 1987, investor confidence trails off, a prolonged period of inactivity will follow – with another wave of redundancies in store for the securities business. The black ink in the profit and loss accounts of UK firms in the first half of this year will then turn as red as the prices on yesterday's SEAQ screens.

Richard Waters

Rest for the weary: A trader on the Sydney Futures Exchange takes a break after frantic morning trading

US SMALL INVESTORS

Mutual support limits risk of getting hurt

INDIVIDUAL investors in the US stock market were not greatly hurt by Fridays rout on Wall Street for one good reason - they were not big holders of stock.

Since the Crash of October 19 1987, individual investors have been wary of the stock market as a place dominated by big institutions with volatile trading patterns. Since this spring, small investors have been putting a toe in the water but primarily through mutual funds rather than direct holdings.

Mr Fred Meserve, branch manager of Alex Brown's operation in Wilmington, Delaware, said yesterday: "Friday's decline just confirms people in thinking there were right not to get back in after the Crash. They just think that Wall Street people are insane and this does not affect the general economy."

The assets of mutual funds, known in the UK as unit trusts, have risen sharply this year to $949.3bn in August, higher than the previous peak month of August 1987 which was also the market's pre-Crash high.

But only $241.2bn of the industry's money is invested in equities. "Individual investors have got only 25 per cent in stocks, with the rest in bonds and money market funds," said Ms Betty Hart of the Investment Company Institute.

US DEALS AT RISK

Trump throws in his cards on AMR bid

MR DONALD TRUMP, the New York businessman, yesterday dropped his tentative $7.1bn offer for American Airlines in the first big deal to fall foul of Friday's stock market collapse.

But Mr Trump, who had proposed paying $120 a share for American's parent company, AMR, said he might come back with a lower offer. The Trump announcement came amid widespread predictions that Friday's market break could signal a big decline in speculative merger activity in the US.

Investment bankers and traders say industrial companies may well be active in the takeover market now that the value of companies has fallen.

But it will probably be some time before financial operators, such as Mr Trump, will be able to raise the credit from banks and the junk bond market to finance takeovers, leveraged buy-outs or recapitalisations.

Wall Street's arbitrageurs, the professional speculators in takeover stocks, were yesterday nursing big losses from their positions in many "deal stocks," particularly UAL, the parent company of United Airlines, and AMR.

But arbitrageurs said losses were not as severe as many had feared over the weekend and many potential takeover candidates sold heavily on Friday, such as Campbell Soup and Hilton Hotels, stabilised yesterday. "Arbs have lost a lot of money," one said yesterday morning. "But it wasn't Boesky day for us. It wasn't October 19 1987." Arbs suffered severe losses on November 14 1986 when the most celebrated and active of their number, Ivan Boesky, confessed to insider trading and many speculative stocks fell precipitously. Takeover stocks were also battered in the general rout of prices on October 19 1987.

Traders said credit for highly leveraged takeovers is clearly harder to find in the junk bond market and at the commercial banks. "Financial buyers are not going to be doing deals for a while," an arb said.

More modestly, the market was cheered by news that Vitro of Mexico had signed a definitive agreement to buy Anchor Glass for $265m.

James Buchan

UK Banks' Exposure to Highly-leveraged Transactions

Bank	£bn	as % of equity
Barclays	4*	65
Lloyds	0.5	18
Midland	1.0	38
NatWest	2.3	37
Royal Bank of Scotland	0.4	20

*Includes £1.5bn-£2bn of undrawn facilities

Source: Nomura International

LEVERAGED BUY-OUTS

More caution by UK banks

THE UPHEAVAL on the stock markets is likely to add to the caution which UK banks were already displaying towards the highly leveraged finance market before last week.

UK bank exposure to highly leveraged transactions – many of them in the US – is now of the same order as their exposure to Third World debt.

Figures compiled by Nomura International, the three largest lenders, Barclays, NatWest and Midland, have exposure equivalent to about one third of their equity. Mr John Tyce, Nomura's analyst says the absence of a junk bond market in the UK meant that the growth of the market was driven by the number of deals wanting to be done, rather than the supply of LBO finance.

But the recent rise in UK interest rates and the emergence of problems in some deals such as MFI,had already prompted UK banks to take a more selective approach to highly leveraged finance.

Bankers were saying yesterday, though, that market turbulence need not spell the end of the leveraged finance business in the UK.

The impulse for further deals would come from the much cheaper opportunities that a sustained market fall would produce.

As for takeover activity generally, there could be a slowdown. "The key is the real economy," said Mr Guy Dawson, head of corporate finance at Morgan Grenfell. "But I don't expect that what we're seeing in the stock market will make a crater in takeovers."

Mr Dawson said that, aside from the giant £13bn bid for BAT Industries, now on ice - there would have been a reduction in takeover activity anyway.

David Lascelles

FALL FORESEEN

Stars rule the charts

IT WAS all in the stars. Mr Daniel Pallant, a financial astrologer, is one man who can genuinely claim to be on the record in predicting the fall in the stock market well ahead of time.

Writing in the Weekend FT last December, Mr Pallant said the outlook for the UK stock market was "very bearish". He said the market would go up during the first half of the year, but from May prices would start to move sideways before starting to decline, gently at first and then at gathering speed downwards until at least the end of the year.

"For the record," he wrote, "the dates that will be the key indicators in the bear slide will be August 25 and September 13." As it turned out the market reached its peak on September 8 and started to decline from September 12.

In July, Mr Pallant hedged his bets a bit in another article following the failure of the market to peak in May. But he still maintained: "I have no reason for changing my view that this year will, in the end, be very bearish for prices."

Yesterday he was even gloomier. This time, he maintains the fall will last a lot longer than in 1987 because, unusually, there will no rally in January. So he sees the FT-SE 100 index dropping well below 1,700 and heading towards 1,000.

John Edwards

JUNK/HIGH-RISK BOND ISSUES TO BE DISCOURAGED

Congress considers anti-LBO tax

HIGHER TAXES to discourage leveraged buy-outs and the issue of junk/high-risk bonds have already been included in the deficit reduction bill now being considered by Congress.

In particular, companies that have made leveraged buy-outs would be prevented from getting federal tax refunds resulting from losses caused by interest payments on debt issued to finance the buy-outs. This would apply from August 2 this year onwards.

The bill also contains provisions to rein back the issue of junk bonds by ending tax benefits for certain securities such as zero-coupon bonds which postpone cash interest payments.

These proposals are in the slimmed-down Senate version of the deficit reduction bill which will start being considered by a Senate/House conference later this week. They are almost certain to be confirmed.

Senator Lloyd Bentsen, the Democrat chairman of the Senate Finance Committee, has commented in relation to such takeovers that "you don't want to approach it with a meat axe because you could have something precipitous happen to the stock market. So you have to work on the margins of it."

Several congressional committees have held hearings on this issue but there is no agreement on action so far.

Peter Riddell

WORLD MARKETS IN TURMOIL

EFFECT ON TAKEOVER BIDS

Bad news for companies defending against predators

IF IT has achieved anything, yesterday's roller-coaster ride on the UK market has left investors with a renewed appreciation of the value of cash.

It was already proving difficult for corporate predators to capture their prey without offering something to swell shareholders' wallets. Of the 15 UK bids and mergers yet to go unconditional, 11 are cash offers, and most of the rest have cash or part-cash alternatives.

Yesterday's volatility will further discourage paper bids. It will also enhance the attraction of the outstanding cash offers as nervous investors choose to escape from the see-sawing market.

Pembridge Investments' leveraged £697m bid for DRG, which makes Sellotape and Basildon Bond stationery, could be one beneficiary. Mr Roland Franklin, who heads Pembridge, crept into the market yesterday morning with a dawn raid on DRG's weakened shares. They started the day trading 11p above the 590p cash offer, and ended 21p below.

The slide in prices could also affect the £1.1bn hostile cash bid for Pearl Group, the UK life assurance company, made by Australian Mutual Provident, its largest counterpart in Australia.

Before the market opened yesterday, Pearl's shares stood at 640p – 35p above the AMP bid – and analysts were expecting an increase in the offer. By the close, after a late afternoon rally in common with the rest of the market, that gap had narrowed to 14p.

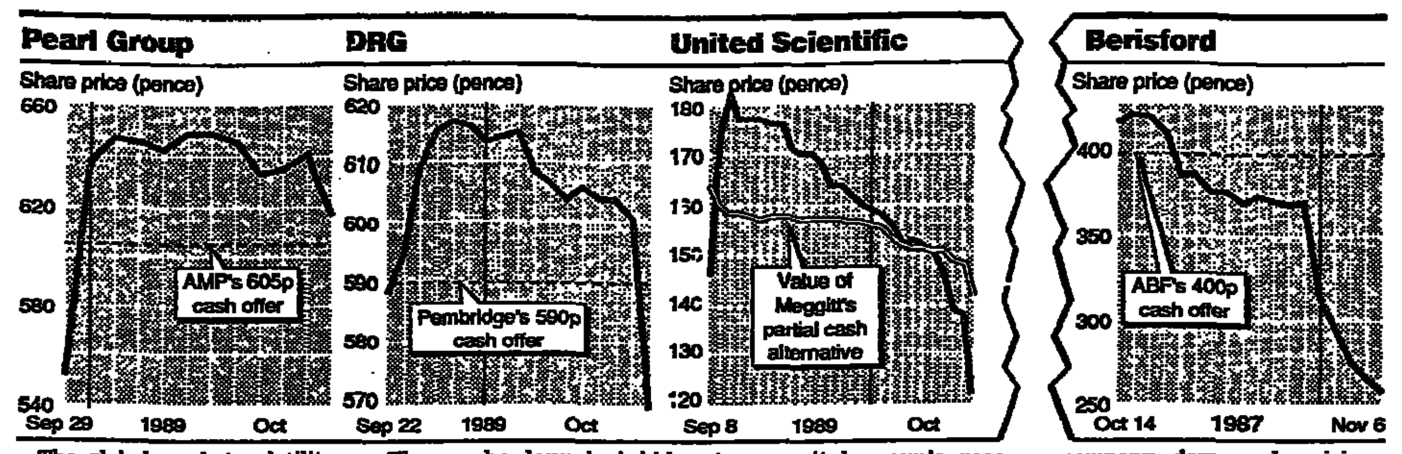
"A 200-point drop is not good news when you're defending a bid," said Pearl's advisers yesterday – speaking when the market was at its lowest – but they remained confident that their shareholders would reject the Australian offer.

A similar story emerged from other target companies.

United Scientific Holdings, the defence contractor, is fighting a bid from Meggitt, the specialist engineering group. Despite a sharp drop in Meggitt's share price, its partial cash alternative is now worth 16.5 per cent more than USH's market price, against 7 per cent at the start of the day.

The reaction of USH's deputy chief executive, Mr Nick Prest, was typical of all beleaguered directors and advisers yesterday.

"Our defence remains the fact that the bid undervalues the company – of that we are firmly convinced – but clearly when extraordinary things are happening in the market it affects shareholders' thinking about short-term and long-term values."



The global market volatility is also exercising the minds of shareholders in Sea Containers, the ferry and container group, which is the subject of a long-running hostile bid straddling the Atlantic. To the delight of the predators – Tiphook, a UK container rental company, and private Swedish ferry operator Stena – the target's shares are now trading nearly $6 below their $63-a-share offer price in New York.

If the market weakness persists and Sea Containers' shareholders dislike the group's own rescue plan – promised by the end of this month – the attraction of $1.02bn (£656m) of Anglo-Swedish cash could prove too great to resist.

Those who launched bids before yesterday's correction have to face up to another concern: remove the element of bid speculation from the target's share price, and the offer could look artificially high.

That said, the 1987 crash proved that a bidder which wants its target badly enough will proceed. This was the case with Scottish & Newcastle Breweries, which was in the midst of its third bid for Blackburn-based brewer Matthew Brown and not about to let its prey escape because of a market blip.

MMG Patricof Group mounted a bid for James Neill Holdings, the Sheffield toolmaker, a week ago. The venture capital group's recommended cash offer valued Neill at 280p a share in cash. That was a healthy premium to the market price even before yesterday's correction, but MMG's Mr Ronald Cohen seemed untroubled by the possibility that Neill could have been won for much less.

"We valued the company based primarily on its market share: it wasn't really a multiple-based calculation," he said yesterday.

There is little consolation available for speculative predators who regret their generosity later.

The Takeover Code does not allow a bidder unilaterally to reduce its offer price. Even with the consent of the target company, downward revisions would normally reflect the discovery of new internal information rather than unforeseen squalls in the outside world.

Shareholders excited by the prospect of hard cash to offset stock market losses should beware of spending the windfall before the cheque arrives.

If a cash offer makes success more likely in a falling market, the 1987 crash proved that this does not guarantee a joyful outcome for shareholders in a bid target. The conventional conditions contained in offer documents allow scope for a suddenly reluctant suitor to walk away.

The most notable example was Associated British Foods' £767m offer for the diversified sugar group which then was called S&W Berisford, but subsequently dropped its initials and added "International" to its name. ABF's 400p cash offer initially buoyed Berisford's share price against decline in proportion to the rest of the market, and led to a change of heart among the target company's directors, who dropped their opposition to the takeover.

By the first closing date, ABF owned or had acceptances for 59 per cent of Berisford's shares, sufficient to declare victory. But realising that its offer price was far too high for the changed conditions, ABF cited opposition from its controlling shareholder, family-owned George Weston Holdings, declined to waive the condition requiring 90 per cent acceptances and allowed the bid to lapse.

ABF has never renewed its attack on Berisford even though it continues to hold about a quarter of the sugar group's shares.

But another reluctant bidder in 1987 did return, after a decent interval. TI Group, the specialist engineering company, called off its agreed $144m purchase of US-based Bundy, a small-diameter tubing manufacturer, because of the uncertain economic outlook.

TI expressed its prudence by asking its own shareholders to veto the deal at an extraordinary general meeting.

Just over five months later, however, TI returned and agreed to pay even more – $155m – for Bundy, an acquisition which has turned out to be excellent value for the UK group.

So corporate financiers were not throwing themselves out of office windows yesterday. Yesterday's correction – like the 1987 crash – comes at a quiet time for them and they were *quick to remind doubters that* bid activity revived quite quickly after the 1987 crash, as businesses realised that the behaviour of the markets did not signal a recession.

That possibility is likely to hang over merger and acquisition specialists for some time. Yesterday, however, the mood was *surprisingly* positive.

"Two years ago there was a feeling of primeval justice about the whole thing – with the gale on the Friday followed by the crash on Monday – whereas today everybody has been much calmer," said one corporate financier yesterday.

"Indeed, *for those companies which are well-capitalised with* cash resources, there are going to be a lot of opportunities."

Andrew Hill and Clay Harris

THE BID FOR DRG

Pembridge ups stake to 29.9% with raid

PEMBRIDGE INVESTMENT'S chances of success in its £697m hostile takeover bid for DRG, the UK paper and packaging group, were significantly improved yesterday when it bought an extra chunk of shares to lift its shareholding to 29.9 per cent.

The opportunity came when DRG's share price dropped below the 590p cash offer for the first time since Pembridge, Mr Roland Franklin's Bermuda-based vehicle, launched it on September 26.

Pembridge's raid on the shares, lifting its holding from about 24.5 per cent, underlined the fact that it had no plans to drop its offer in the face of adverse market conditions, J Henry Schroder Wagg, Pembridge's adviser, said yesterday.

Lazard Brothers, the merchant bank advising DRG, said yesterday: "It is certainly not helpful to be caught in a squall like this. But we hope we will have sufficient things to say to ensure shareholders remain with the company. The company is still undervalued at the offer price."

DRG's shares closed 32p down at 569p yesterday.

Schroder said further share purchases would be considered.

But it added that Pembridge could not increase its stake until it had been informed the offer would not be referred to the Monopolies Commission. The first closing date is tomorrow.

Pembridge itself now holds 32.06m shares and parties with which it is presumed to be acting in concert have another 415,525.

Clare Pearson

Scramble: Floor traders on the Amsterdam European Options Exchange rush to place sell orders as the Dutch markets react to last Friday's Wall Street collapse

BAT INDUSTRIES

A big loser, but so are pursuers

BAT INDUSTRIES, the tobacco-based UK conglomerate which has been under bid threat from Sir James Goldsmith's Hoylake consortium, was among the biggest losers yesterday. Its shares closed down 60p at 758p, having been 119p lower at one stage.

But, as BAT's deputy chairman, Mr Brian Garraway, pointed out, that was still significantly better than Anglo Group, the quoted company controlled by Sir James and companies *run by fellow* Hoylake consortium member, Mr Jacob Rothschild. Anglo is the vehicle through which Sir James has channelled his renewed attention in the UK takeover scene. Its shares finished 84p lower at 315p.

Ranks Hovis McDougall, a company where the same trio of Hoylake investors – Mr Kerry Packer, Jacob Rothschild and Sir James – holds a 29.9 per cent stake finished 5.2 per cent lower at 416p.

The decline in BAT's price was being attributed principally to fears that disappearance of the US "junk bond" market would prevent Hoylake from making any new assault. Analysts added a variety of subsidiary explanations: the possible effect of a market slump on smoothed investment gains in BAT's insurance division, the fact that the stock is liquid, that there is an ADR market in the US, and so on.

In fact, few analysts seemed to feel that the downgrading *was entirely justified.* BAT has made clear it intends to go ahead with Thursday's extraordinary general meeting, when it will ask shareholders to approve restructuring plans.

The only questionmark is the pace at which the restructuring might proceed if capital values drop sharply.

BAT had previously suggested that the combination of disposals and demergers might take place within the first three to four months of 1990. While there is no theoretical reason for the demergers – of the paper businesses and the Argos retail subsidiary – to be deferred, BAT was suggesting yesterday that it might want a decent stockmarket reception for the businesses.

All the noises from Hoylake, on the other hand, suggested that the consortium intends to push ahead with its quest for US regulatory clearances. Part of the cost of the US regulatory procedure is now being shared by Axa-Midi, the French-based insurance group, which has been lined up as the buyer of BAT's Farmers subsidiary.

With a stake – albeit only 1.25 per cent – in BAT, Hoylake may have every for keeping interest alive. Neverthless, there is certainly some logic in the consortium's arguments that a smaller target – courtesy of the self-imposed restructuring – with a deflated share price makes the funding task no harder.

Nikki Tait

NEW ISSUES

Market debutantes strive to stay afloat

IT MUST be more than annoying for Hays, the UK business *services group, that* its £166m offer for sale, which marks the biggest new issue for years – apart from privatisation offers – should have coincided with a plummeting stock market. But at least the underwriting of the issue was completed last week and there are not many other new issues around to be affected by the market's volatility.

Statistics produced last week by Peat *Marwick McLintock,* the *accountants,* showed that the number of companies joining the official list in the first nine months of this year fell by nearly a half on 1988's levels. New entrants on the Unlisted Securities Market were down by 17 per cent.

Many companies that began thinking about floating during the summer would have wanted to steer clear of the fourth quarter, which is dominated by next month's £5bn-£7bn privatisation issue for the water industry.

Apart from Hays, the other sizeable offer in progress is the issue for Euro Disneyland. But the success of this, which forms part of a much larger European issue, is already virtually assured.

Only domestic regulations are keeping the UK portion of the offer open until Friday morning; those in Continental Europe closed last week in the face of strong demand.

Yesterday Euro Disneyland's shares were trading at FFr85 on the grey market in France, still at a premium to their FFr72 issue price.

The fate of the Hays' issue will be decided later today or tomorrow, when the institutions consider whether to apply for shares in the offer, which closes on Thursday.

If they judge it likely that they will be left with large quantities of shares through their sub-underwriting commitments, they are unlikely to *apply for more when the* shares may be available at a lower price in the aftermarket.

One comfort for Hays was the resilience shown yesterday by the shares of BET, the listed services company with which it has most frequently been compared. BET's shares closed just 2p down at 263p.

Other companies known to have been lining up to float recently have had more modest goals. *QS Holdings,* a clothes retailer which had been planning to go public with a market tag of about £30m before the end of the month, has put its plans on ice, according to its sponsor Panmure Gordon.

However, the loyal band of investors that supported the £5m offer on the USM for Millwall Holdings, the parent company of the London football club, ensured that it closed on its first day of dealings yesterday at 20p, the issue price.

● Colefax & Fowler, the home furnishings company, yesterday reported a successful outcome to its recent £6.3m rights issue. About 81 per cent of the shares on offer at 160p were taken up when applications closed on Friday, even though Colefax shares lost 17p yesterday to close at 141p.

Tuskar Resources, the Irish oil company, said more than 95 per cent of its I£8.9m (£8m) rights issue was taken up.

Although both outcomes were better than those reported last week by Lookers and W. Canning, the outlook is bleak for most of the other outstanding rights issues of ordinary shares (see table). Yesterday, only Polly Peck International's shares were standing at a healthy premium to the rights price.

Clare Pearson and Clay Harris

PENDING RIGHTS ISSUES

(ordinary shares only)

Company	Rights price	Price Y'day
Acsis Group	68p	53p
F Copson	195p	139p
DSC Hldgs	75p	68p
Evered	125p	116p
Musterlin Grp	160p	160p
Polly Peck Int'l	245p	280p
Wace Group	330p	302p

WATER

A timely health warning

STOCK MARKET disasters have been among the more potent nightmares troubling Government advisers since the proposal to privatise the water industry became law.

The nightmare did not quite come true yesterday. But the volatility of the market will strengthen the usual warning that shares can go down as well as up.

Mr David Challen, a director of J Henry Schroder Wagg, said the merchant bank, which is advising the Government, was still confident about the prospects for a November flotation. Nor was Schroders unduly worried by yesterday's market correction.

"I think it's far enough away from the delicate moments of the pricing and the issue for us to be reasonably phlegmatic about the market," Mr Challen said.

Schroders and the Government have yet to decide the price and the yield of the issue, and could still sell less than 100 per cent of the industry, although this is unlikely.

If the price is cut, the proceeds of the issue would be at the lower end of the £5bn to £7bn widely forecast and the dividend yield correspondingly higher. One fund manager suggested that the average might even exceed 8 per cent.

That would increase the volume of criticism from opponents of privatisation, who have accused the Government of "giving away" the industry.

But water industry chairmen were still relatively bullish about the issue, even pointing out, in one case, that a bear market would make it cheaper for water companies to act on their ambitious plans for diversification.

Institutions, analysts and the industry also suggested, as they have always done, that water company shares would differ from traditional equities, because of the companies' reliable core business.

"They would have defensive qualities in a poor market," said one fund manager. "I would have expected water stocks to have fallen less than the market in general today."

Andrew Hill

UNITED AIRLINES: THE DEAL THAT SPARKED FRIDAY'S COLLAPSE

Japanese institutions unlikely to drop opposition without fundamental changes

FINANCIAL sweeteners alone are unlikely to persuade Japanese banks to drop their opposition towards funding the proposed takeover of UAL, the parent company of United Airlines.

Several banks said yesterday they would consider new proposals being drafted by Citicorp, the US bank in charge of the deal, but some insisted there would have to be fundamental amendments if they were to change their minds.

Banks said that the plunge in US equity prices precipitated by the failure of the original $7.2bn scheme had reinforced their doubts.

The original funding plan collapsed on Friday after several Japanese banks turned down the proposals or said they would put only $100m or so into the venture, against $500m or more needed to make the scheme a success.

Their decisions provoked the biggest fall on Wall Street since October 1987.

Yesterday, even Mitsubishi Trust Banking, which had responded most positively first time around with an offer of $300m, said that the climate had got more difficult.

"We have to consider the other banks' behaviour, so we have to investigate the proposal even more deeply and more carefully," said Mr Makoto Konishi, chief manager of the international credit policy control division.

Nevertheless, Mitsubishi Trust would consider any new offer very carefully. "We have a feeling that if the pricing improves then other banks will be interested."

But Sanwa Bank and Mitsubishi Bank, which both turned the deal down last week, said that *higher fees and interest* rates alone would not tempt them to accept Citibank's offer.

Mitsubishi said it had said no for three main reasons:

● The cash flow projections presented for United were not convincing. There had to be more evidence to support the favourable picture painted in the projections.

● Labour relations at United were poor. Japanese companies instinctively distrusted investing in companies with a history of labour disputes.

● In Mitsubishi's view, Citicorp had been "too aggressive in cutting down the fees to lenders."

A Mitsubishi executive said that while Citicorp might improve the terms it was difficult to see how the fundamentals of the deal might be altered. Sanwa Bank agreed. "Our basic attitude will not be changed."

Fuji Bank, which offered a token $100m last week, said it would consider any revised offer. But conditions in the market as a whole were not good so the proposals looked less attractive than a week ago.

The banks which turned down the original offer include Sumitomo Bank, Mitsubishi Bank, Sanwa Bank and Long Term Credit Bank. Dai Ichi Kangyo Bank, Fuji Bank, Tokai Bank and the Industrial Bank of Japan offered $100m each. Mitsubishi Trust and Banking, the largest trust bank, offered $300m.

Stefan Wagstyl

Optimistic that new deal can be struck

SIR COLIN MARSHALL, chief executive of British Airways, yesterday expressed strong hope that a new deal could eventually be reached to finance a leveraged buy-out of UAL, the second largest US carrier.

However, he warned in *Tokyo that BA could not* accept any less favourable conditions for its own participation and was unlikely to agree to put in more equity or debt capital. And later yesterday, BA made clear that the bid was unlikely to be revived in its present form.

The attempt to raise $7.2bn in syndicated bank lending to support the buy-out of UAL collapsed on Friday afternoon triggering a sharp fall in US share prices that has since been echoed in world stock markets.

BA had joined with United's senior management, pilots and non-union *staff in providing* equity capital for the deal, and had just won shareholders' approval on Friday for its $750m commitment.

"We remain optimistic that a new deal can be struck," Sir Colin told a press conference yesterday in Tokyo, where a delegation of BA directors had come for annual briefings of financial institutions.

Sir Colin emphasised repeatedly that it was up to the UAL management, who were leading the buy-out plan, to initiate attempts to find out if the deal can be revived on revised terms. BA could not take any *initiative, but could only* respond when UAL and its bankers came up with a new plan.

However, he set conditions for BA's continued participation. "I think it unlikely that we would be looking to raise our equity or debt in any revised deal," he said, adding that "in any new transaction, we would certainly not expect the return to BA to be any lower than in the original deal, as it is on that basis that we obtained shareholder approval."

Still, he was optimistic a deal would be put together. "One can construct a scenario in which the terms and conditions are unacceptable. I think that is unlikely and I sincerely hope it does not arise."

He was reluctant to comment on the reasons for the collapse of the financing or on the effect of the subsequent fall in stock prices on the possibility of completing a new deal.

"I suppose we were surprised that one deal could have such an effect on the US market. I have to stress that British Airways is in a good position. We have funds and the approval of our shareholders."

Mr Derek Stevens, BA's *finance director, said that the* collapse was "not a question of the creditworthiness" of the new company but to the combination of terms in the bank financing package.

"We did not get the feeling that this deal is not fundable," Mr Stevens said.

Some Japanese banks, which *withdrew their support for the* package, have said that one reason for their action was a fear that the US government might block the deal because BA's equity share was too large.

Sir Colin said this fear was unwarranted. "The original deal was structured very carefully to fall within the US Federal Aviation Act." The act restricts foreign ownership of an airline to 25 per cent, as expressed in voting power.

BA would have 15 per cent of the votes in the new company taking over UAL, although its equity stake would initially be between 25 and 30 per cent, depending on how it was measured. It would decline subsequently when some of its preference shares were redeemed. Sir Colin said there was no indication that the US government had reservations about the deal.

Asked about the impact of the collapse of the financing on BA's £320m rights issue of convertible capital bonds which is to close on Friday, Mr Stevens said there was no connection between the two. "The issue is underwritten, and we want to raise the money regardless," he said.

On banks' concerns about the high leverage in the deal, Sir Colin argued that if the present value of the pay cuts agreed by UAL staff was computed, the total equity was worth about $2.6bn. That left a debt/equity ratio that was considerably higher than BA's, but he said United Airlines could trade out of its indebtedness just as BA had.

"We have been at infinity at times in the past, but we earned our way out of it," he said.

Ian Rodger

AUSTRALASIA

Businessmen given buffeting

IF developments in the *leveraged buy-out industry in* the US provided Friday's trigger to send the US share market plunging for the second time in as many years, it was hardly the reason Australia and New Zealand followed yesterday.

Statistics show that, on a day-to-day basis, the antipo*dean markets tend to follow* the US whatever it does.

Leveraged buy-outs were certainly picking up – witness Mr John Elliott's recent A$5.6bn (£2.78bn) management takeover of Elders IXL and the current management-led A$1.9bn bid for Industrial Equity. But the overall scale was small.

Yesterday's falls, therefore, were seen by analysts Down Under as a sharp reminder of the hazards of internationally-financed LBOs abroad, and of wider international economic problems rather than the result of specific domestic developments."

That does not mean local companies are all going to suffer equally. Elders, Australia's largest company in terms of revenues, is an obvious focus of attention. Mr Elliott and his friends have acquired it through a leveraged buy-out, they have large debts, the company has major equity *exposures and is even involved* as a lender in LBOs.

Yesterday, Elders dropped 35 cents to A$2.80, somewhat more than the market overall. Entrepreneurial stocks generally took a buffeting: the AFP Group slithered 52 cents to A$1.65, Mr Alan Bond's Bond Corporation dipped six more cents to 26 cents.

So did Mr Christopher Skase's Qintex media and resorts group, even though its plans to take over Hollywood's MGM/United Artists were conveniently halted last week. Mr Rupert Murdoch's News Corporation, which has also been contemplating MGM, fell a hefty A$2.00 to A$13.00, and media stocks generally fell as far as the entrepreneurs.

The important point is that the antipodean entrepreneurs have already had their day.

Chris Sherwell

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 16, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	63.0158	33.7872	44.4071
Albania	(Lek)	10.2442	6.5042	3.4873	4.5835
Algeria	(Dinar)	12.8414	8.1532	4.3715	5.7455
Andorra	(Fr Fr)	9.9825	6.3380	3.3982	4.4664
	(Sp Peseta)	187.05	118.7619	63.6765	83.6912
Angola	(Kwanza)	48.591	30.8514	16.5416	21.7409
Antigua	(E Carr $)	4.2795	2.7171	1.4568	1.9147
Argentina	(Austral)	1031.25	654.7619	351.0638	461.4093
Aruba	(Florin)	2.8372	1.8013	0.9658	1.2694
Australia	(Aus $)	2.0913	1.3278	0.7119	0.9357
Austria	(Schilling)	20.685	13.1333	7.0417	9.2550
Azores	(Port Escudo)	251.10	159.4285	85.4808	112.3489
Bahamas	(Bahama $)	1.5750	1	0.5361	0.7046
Bahrain	(Dinar)	0.5938	0.3770	0.2021	0.2656
Balearic Is	(Sp Peseta)	187.05	118.7619	63.6765	83.6912
Bangladesh	(Taka)	49.20	31.2380	16.7489	22.0134
Barbados	(Barb $)	3.1879	2.0240	1.0852	1.4263
Belgium	(Belg Fr)	61.65c	39.1428	20.9872	27.5838
		61.90g	39.3015	21.0723	27.6957
Belize	(B $)	3.170	2.0126	1.0791	1.4183
Benin	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Bermuda	(Bermudian $)	1.5750	1	0.5361	0.7046
Bhutan	(Ngultrum)	26.30	16.6984	8.9531	11.7673
Bolivia	(Boliviano)	4.5490	2.8882	1.5485	2.0353
Botswana	(Pula)	3.11	1.9746	1.0587	1.3914
Brazil	(Cruzado)	6.7358	4.2766	2.2930	3.0137
British Virgin Is	(US $)	1.5750	1	0.5361	0.7046
Brunei	(Brunei $)	3.0905	1.9622	1.0520	1.3827
Bulgaria	(Lev)	1.3344	0.8472	0.4542	0.5970
Burkino Faso	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Burma	(Kyat)	10.7780	6.8431	3.6691	4.8223
Burundi	(Burundi Fr)	253.244	160.7898	86.2107	113.3082
Cameroon	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Canada	(Canadian $)	1.8565	1.1787	0.6320	0.8306
Canary Is	(Sp Peseta)	187.05	118.7619	63.6765	83.6912
Cp. Verde Is	(CV Escudo)	130.302	82.7314	44.3581	58.3006
Cayman Is	(CI $)	1.3155	0.8352	0.4478	0.5885
Cent.Afr. Rep	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Chad	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Chile	(Chilean Peso)	503.65	319.7777	171.4553	225.3467
China	(Renminbi Yuan)	5.8847	3.7363	2.0033	2.6329
Colombia	(Col Peso)	646.90	410.7301	220.2212	289.4407
Comoro Is	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Congo (Brazz)	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Costa Rica	(Colon)	130.921	83.1244	44.5688	58.5776
Cuba	(Cuban Peso)	1.2071	0.7664	0.4109	0.5400
Cyprus	(Cyprus £)	0.7825	0.4968	0.2663	0.3501
Czechoslovakia	(Koruna)	24.19c	15.3587	8.2348	10.8232
		15.68I	9.9555	5.3378	7.0156
		15.60t	9.9047	5.3106	6.9798
Denmark	(Danish Kroner)	11.4175	7.2492	3.8868	5.1085
Djibouti Rep	(Djib Fr)	279.00	177.1428	94.9787	124.8322
Dominica	(E Carrib $)	4.2795	2.7171	1.4568	1.9147
Dominican Rep	(D Peso)	10.6314	6.7500	3.6192	4.7567
Ecuador	(Sucre)	893.10o	567.0476	304.0340	399.5973
		926.34a	588.1523	315.3497	414.4697
Egypt	(Egyptian £)	4.0990	2.6025	1.3954	1.8340
El Salvador	(Colon)	7.86	4.9904	2.6757	3.5167
Equat'l Guinea	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Ethiopia	(Ethiopian Birr)	3.2547	2.0664	1.1079	1.4562
Falkland Is	(Falk £)	1.00	0.6349	0.3404	0.4474
Faroe Is	(Danish Kroner)	11.4175	7.2492	3.8868	5.1085
Fiji Is	(Fiji $)	2.4021	1.5251	0.8177	1.0747
Finland	(Markka)	6.7308	4.2735	2.2913	3.0115
France	(Fr)	9.9825	6.3380	3.3982	4.4664
Fr. Cty/Africa	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Fr. Guiana	(Local Fr)	9.9825	6.3380	3.3982	4.4664
Fr. Pacific Is	(CFP Fr)	199.00	126.3492	67.7446	89.0380
Gabon	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Gambia	(Dalasi)	12.1363	7.7055	4.1315	5.4301
Germany East	(Ostmark)	2.9375	1.8650	1	1.3143
Germany West	(DMark)	2.9375	1.8650	1	1.3143
Ghana	(Cedi)	449.2625	285.2460	152.9404	201.0123
Gibraltar	(Gib £)	1.00	0.6349	0.3404	0.4474
Greece	(Drachma)	259.78	164.9396	88.4357	116.2326
Greenland	(Danish Krona)	11.4175	7.2492	3.8868	5.1085
Grenada	(E Carr $)	4.2795	2.7171	1.4568	1.9147
Guadaloupe	(Local Fr)	9.9825	6.3380	3.3982	4.4664
Guam	(US $)	1.5750	1	0.5361	0.7046
Guatemala	(Quetzal)	4.4759	2.8418	1.5237	2.0026
Guinea	(Fr)	475.50	301.9047	161.8723	212.7516
Guinea-Bissau	(Peso)	1030.25	654.1269	350.7234	460.9619
Guyana	(Guyanese $)	47.30	30.0317	16.1021	21.1633
Haiti	(Gourde)	7.925	5.0317	2.6978	3.5458
Honduras	(Lempira)	3.1410	1.9942	1.0692	1.4053
Hong Kong	(HK $)	12.3715	7.8549	4.2115	5.5353
Hungary	(Forint)	94.0493	59.7138	32.0167	42.0802
Iceland	(Icelandic Krona)	97.50	61.9047	33.1914	43.6241
India	(Indian Rupee)	26.30	16.6984	8.9531	11.7673
Indonesia	(Rupiah)	2867.465	1820.6126	976.1582	1282.9821
Iran	(Rial)	116.90	74.2222	39.7957	52.3042
Iraq	(Iraqi Dinar)	0.49209	0.3123	0.1674	0.2201
Irish Rep	(Punt)	1.1050	0.7015	0.3761	0.4944
Israel	(Shekel)	3.175	2.0158	1.0808	1.4205
Italy	(Lira)	2162.75	1373.1746	736.2553	967.6733
Ivory Coast	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Jamaica	(Jamaican $)	9.1060	5.7815	3.0999	4.0742
Japan	(Yen)	223.50	141.9047	76.0851	100
Jordan	(Jordanian Dinar)	1.0525	0.6682	0.3582	0.4709
Kampuchea	(Riel)	236.25	150	80.4255	105.7046
Kenya	(Kenya Shilling)	34.00	21.5873	11.5744	15.2125
Kiribati	(Australian $)	2.0913	1.3278	0.7119	0.9357
Korea North	(Won)	1.53745	0.9761	0.5233	0.6878
Korea South	(Won)	1072.40	680.8888	365.0723	479.8210
Kuwait	(Kuwaiti Dinar)	0.4739	0.3008	0.1613	0.2120
Laos	(New Kip)	924.055	586.7015	314.5719	413.4474
Lebanon	(Lebanese £)	724.33	459.8920	246.5804	324.0850
Lesotho	(Maluti)	4.2048	2.6697	1.4314	1.8813
Liberia	(Liberian $)	1.5750	1	0.5361	0.7046
Libya	(Libyan Dinar)	0.4833	0.3068	0.1645	0.2162
Liechenstein	(Swiss Fr)	2.5750	1.6349	0.8765	1.1521
Luxembourg	(Lux Fr)	61.65	39.1428	20.9872	27.5838
Macao	(Pataca)	12.7854	8.1177	4.3524	5.7205
Madeira	(Port Escudo)	251.10	159.4285	85.4808	112.3489
Malagasy Rep	(MG Fr)	2273.50	1443.4920	773.9574	1017.2259
Malawi	(Kwacha)	4.4010	2.7942	1.4982	1.9691
Malaysia	(Ringgit)	4.2673	2.7093	1.4526	1.9093
Maldive Is	(Rufiya)	14.2809	9.0672	4.8615	6.3896
Mali Rep	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Malta	(Maltese £)	0.5600	0.3555	0.1906	0.2505
Martinique	(Local Fr)	9.9825	6.3380	3.3982	4.4664
Mauritania	(Ouguiya)	135.565	86.0730	46.1497	60.6554
Mauritius	(Maur Rupee)	24.65	15.6507	8.3914	11.0290
Mexico	(Mexican Peso)	4113.70a	2611.8730	1400.4085	1840.5816
		4056.02e	2575.2507	1380.7727	1814.7740
Miquelon	(Local Fr)	9.9825	6.3380	3.3982	4.4664
Monaco	(French Fr)	9.9825	6.3380	3.3982	4.4664
Mongolia	(Tugrik)	5.3185	3.3768	1.8105	2.3796
Montserrat	(E Carr $)	4.2795	2.7171	1.4568	1.9147
Morocco	(Dirham)	13.3065	8.4485	4.5298	5.9536
Mozambique	(Metical)	1280.68	813.1301	435.9761	573.0111
Namibia	(S A Rand)	4.2048	2.6697	1.4314	1.8813
Nauru Is	(Australian $)	2.0913	1.3278	0.7119	0.9357
Nepal	(Nepalese Rupee)	38.040	24.1523	12.9497	17.0201
Netherlands	(Guilder)	3.3175	2.1063	1.1293	1.4843
N'nd Antilles	(A/Guilder)	2.8530	1.8114	0.9712	1.2765
New Zealand	(NZ $)	2.7135	1.7228	0.9237	1.2140
Nicaragua	(Cordoba)	33451.65	21239.1428	11387.7957	14967.1812
Niger Rep	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Nigeria	(Naira)	11.618	7.3765	3.9550	5.1982
Norway	(Nor. Krone)	10.9350	6.9428	3.7225	4.8926
Oman	(Rial Omani)	0.6070	0.3853	0.2066	0.2715
Pakistan	(Pak. Rupee)	33.00	20.9523	11.2340	14.7651
Panama	(Balboa)	1.5750	1	0.5361	0.7046
Papua New Guinea	(Kina)	1.3701	0.8699	0.4664	0.6130
Paraguay	(Guarani)	1977.889	1255.8025	673.3239	884.9615
Peru	(Intl)	8515.00	5406.3492	2898.7234	3809.8434
Philippines	(Peso)	33.40	21.2063	11.3702	14.9440
Pitcairn Is	(£ Sterling)	1.00	0.6349	0.3404	0.4474
	(NZ $)	2.7135	1.7228	0.9237	1.2140
Poland	(Zloty)	3295.00	2092.0634	1121.7021	1474.2729
Portugal	(Escudo)	251.10	159.4285	85.4808	112.3489
Puerto Rico	(US $)	1.5750	1	0.5361	0.7046
Qatar	(Riyal)	5.7413	3.6452	1.9544	2.5688
Reunion Is, de la	(F/Fr)	9.9825	6.3380	3.3982	4.4664
Romania	(Leu)	14.221	9.0285	4.8408	6.3624
Rwanda	(Fr)	127.1325	80.7190	43.2791	56.8825
St Christopher	(E Carr $)	4.2795	2.7171	1.4568	1.9147
St Helena	(£)	1.00	0.6349	0.3404	0.4474
St Lucia	(E Carr $)	4.2795	2.7171	1.4568	1.9147
St Pierre	(French Fr)	9.9825	6.3380	3.3982	4.4664
St Vincent	(E Carr $)	4.2795	2.7171	1.4568	1.9147
San Marino	(Italian Lira)	2162.75	1373.1746	736.2553	967.6733
Sao Tome	(Dobra)	169.367	107.5346	57.6568	75.7794
Saudi Arabia	(Riyal)	5.9143	3.7551	2.0133	2.6462
Senegal	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Seychelles	(Rupee)	9.00	5.7142	3.0638	4.0268
Sierra Leone	(Leone)	99.10	62.9206	33.7361	44.3400
Singapore	($)	3.0905	1.9622	1.0520	1.3827
Solomon Is	($)	3.7875	2.4047	1.2893	1.6946
Somali Rep	(Shilling)	649.85	412.6031	221.2256	290.7606
South Africa	(Rand)	4.2048c	2.6697	1.4314	1.8813
		6.1195g	3.8853	2.0832	2.7380
Spain	(Peseta)	187.05	118.7619	63.6765	83.6912
Spanish Ports in N Africa	(Sp Peseta)	187.05	118.7619	63.6765	83.6912
Sri Lanka	(Rupee)	63.00	40	21.4468	28.1879
Sudan Rep	(£)	7.1325	4.5285	2.4280	3.1912
Surinam	(Guilder)	2.8292	1.7963	0.9631	1.2658
Swaziland	(Lilangeni)	4.2048	2.6697	1.4314	1.8813
Sweden	(Krona)	10.1675	6.4555	3.4612	4.5492
Switzerland	(Fr)	2.5750	1.6349	0.8765	1.1521
Syria	(£)	33.285	21.1333	11.3310	14.8926
Taiwan	($)	40.70	25.8412	13.8553	18.2102
Tanzania	(Shilling)	228.00	144.7619	77.6170	102.0134
Thailand	(Baht)	40.50	25.7142	13.7872	18.1208
Togo Rep	(CFA Fr)	499.125	316.9047	169.9148	223.3221
Tonga Is	(Pa Anga)	2.0913	1.3278	0.7119	0.9357
Trinidad/Tobago	($)	6.7363	4.2770	2.2932	3.0140
Tunisia	(Dinar)	1.5079	0.9573	0.5133	0.6746
Turkey	(Lira)	3545.49	2251.1047	1206.9753	1586.3489
Turks & Caicos	(US $)	1.5750	1	0.5361	0.7046
Tuvalu	(Australian $)	2.0913	1.3278	0.7119	0.9357
Uganda	(New Shilling)	315.955	200.6063	107.5591	141.3668
U A E	(Dirham)	5.7885	3.6752	1.9705	2.5899
United Kingdom	(£)	1.00	0.6349	0.3404	0.4474
United States	(US $)	1.5750	1	0.5361	0.7046
Uruguay	(Peso)	1089.90	692	371.0297	487.6510
USSR	(Rouble)	1.0135	0.6434	0.3450	0.4534
Vanuatu	(Vatu)	189.00	120	64.3404	84.5637
Vatican	(Lira)	2162.75	1373.1746	736.2563	967.6733
Venezuela	(Bolivar)	59.016	37.4704	20.0905	26.4053
Vietnam	(Dong)	7132.50	4528.5714	2428.0851	3191.2751
Virgin Is-British	(US $)	1.5750	1	0.5361	0.7046
Virgin Is-US	(US $)	1.5750	1	0.5361	0.7046
Western Samoa	(Tala)	3.6120	2.2933	1.2296	1.6161
Yemen	(Rial)	15.454	9.8120	5.2609	6.9145
Yemen PDR	(Dinar)	0.5437	0.3452	0.1850	0.2432
Yugoslavia	(Dinar)	64380.00	40876.1904	21916.5957	28805.3691
Zaire Rep	(Zaire)	652.68	414.4000	222.1889	292.0268
Zambia	(Kwacha)	27.50	17.4603	9.3617	12.3042
Zimbabwe	($)	3.5450	2.2507	1.2068	1.5861

Special Drawing Rights October 13,1989 United Kingdom £1.23857 United States $1.25806 Germany West D Mark 2.39308 Japan Yen180.972 European Currency Unit Rates October 16,1989 United Kingdom £1.42632 United States $1.11160 Germany West D Mark 2.05090 Japan Yen156.513

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, October 16, 1989

INTERNATIONAL CAPITAL MARKETS

AFBD wins concession on trades by US customers

By Andrew Freeman

THE ASSOCIATION of Futures Brokers and Dealers (AFBD) has won a concession from the Commodity Futures Trading Commission (CFTC) on rules affecting derivatives trading by US customers in London.

The CFTC has granted interim relief to UK brokers from the so-called Part 30 rules, which govern the sale of foreign futures and options to US clients. It has also approved a scheme allowing UK brokers long-term exemption from strict US rules on customer account segregation.

From November 14, UK brokers acting for US clients will be allowed to mix clients' funds with their own, rather than maintain separate accounts. The CFTC will issue a "no-action" letter informing brokers that, although they are technically in breach of the Part 30 rules, it will not act against them.

This will allow traders on the London Metal Exchange (LME) relief from rules which were at odds with the market's trading and clearing mechanisms. LME brokers faced the prospect of having to create individual transaction and bank accounts for their US clients.

Under the new proposal, LME brokers can use bank guarantees and letters of credit to secure any net forward profits of US customers. Collective arrangements will be possible using a trust vehicle. US brokers remain bound by the Part 30 rules.

Mr Christopher Sharples, chairman of the AFBD, said: "The proposed scheme in practical terms should be a considerable improvement on the original CFTC requirement."

However, he added: "We would have much preferred the CFTC to have agreed to our original proposals which allowed US commercial customers to opt out of segregation if they did not require it."

US equity investors cool on UK

By Alison Maitland

CONTINENTAL Europe continues to be the top overseas attraction for US equity investment managers, but the UK stock market, which was high on the buy list six months ago, has lost favour, according to a survey by Broadgate Consultants of New York.

Of the 103 US investment officers and advisers questioned, 85 per cent thought prospects for European shares were excellent or good – up from 65 per cent six months ago – because of the restructuring taking place in the run-up to the single market in 1992. West German, French and Spanish companies were seen as particularly attractive.

However, enthusiasm for the UK has been dampened by fears that corporate earnings will fall, interest rates will remain high and inflation will rise further. Although 53 per cent thought prospects were excellent or good, this compares with 66 per cent last April.

Singapore has risen to become the second most favoured market after continental Europe. Broadgate says this reflects growing confidence in it as a Pacific centre following the political turmoil in China. Hong Kong, by contrast, has dropped from third place to sixth.

As for Japan, US investors are still put off by its high price:earnings ratios, and only 18 per cent of those questioned saw prospects there as excellent or good.

Broadgate says US pension funds alone are estimated to have $68bn committed to international investments, compared with $53.5bn a year ago.

US investors increasingly appreciate the potential long-term rewards of globally diversified portfolios, but they are dissatisfied with the quality of information provided by non-US companies.

"The overwhelming majority of respondents felt explanations from foreign companies about dividends, corporate governance and other fundamental matters were unclear," said the report.

Reuter adds from Tokyo: Nomura Securities is to launch a fund worth more than $60m in November to invest in Philippine stocks.

The First Philippine Fund, a closed-end investment trust, will be listed on the New York Stock Exchange soon after it is launched. Clemente Capital, of the Philippines, will be adviser to the fund.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¾ 95	600	104⅜	104⅞	+0⅞	+1⅛	8.36
Austria 9⅞ 93	140	103⅜	103⅞	+0⅞	+1	8.42
B.F.C.E. 8⅞ 94	175	†99½	100	+0½	+1	8.43
B.F.C.E. 9⅞ 95	150	103⅜	103¾	+0¾	+1	8.48
Brit. Tel. Fin. 9⅞ 98	250	104⅞	105⅛	+0⅞	+1⅛	8.58
Canada 9 96	1000	†103⅞	104⅜	+1	+1⅛	8.13
Canadian Pac 10⅜ 93	100	*102⅜	102⅞	0	0	9.87
C.C.C.E 9¼ 95	300	†103	103½	+0⅞	+1¼	8.45
C.N.C.A 9⅞ 93	150	†102½	103	+0⅞	+1¼	5.58
Credit National 8⅞ 93	200	†99⅞	100⅜	+1⅛	+1⅛	8.18
Credit National 7⅞ 92	100	97⅞	98⅛	+0⅛	+1	8.31
Credit National 9½ 92	160	†102⅜	102⅞	+0⅞	+1⅛	8.42
Dai-Ichi Kan 9¾ 92	150	102⅝	103⅛	+0⅞	+0⅞	8.42
Denmark 8¾ 94	150	98⅞	99⅜	+0⅛	+0⅞	8.56
E.E.C. 7¾ 93	100	97⅛	98	+0⅜	+0⅞	8.17
E.E.C. 10 93	140	†104⅞	105⅜	+0⅜	+1	8.29
Eurofima 10⅛ 93	100	†105	105⅜	+0½	+0⅜	8.31
Elec.De France 9 98	200	102⅛	103	+0⅛	+0⅜	8.51
Elec. De France 9½ 99	200	*104⅜	104⅞	0	+0⅛	8.70
Finland 9 96	250	102⅛	102⅝	+0⅛	+0⅞	8.50
Fin.Exp.Cd. 8½ 92	200	†100⅛	100⅝	+0½	+0⅞	8.28
Fin. Exp. Cd. 9⅞ 95	200	103⅝	104	+0½	+0⅞	8.55
Ford Motor Credit 8 91	250	†99	99⅛	+0½	+0⅜	8.52
Gen.Elec.Cap.Corp. 9 93	500	†101⅝	102⅛	+0⅛	+1⅛	8.43
Gen.Elec.Cap.Crp 10 1/2 91	300	102⅞	103	+0⅜	+0⅛	8.30
G.M.A.C. 9⅞	300	†101⅛	101⅝	+0⅞	+1½	8.71
Gen.Mtrs.Corp. 9⅛ 92	200	101⅜	101⅞	+0⅜	+0⅞	8.41
IBM Credit Corp. 8¾ 91	250	101⅛	101⅝	+0½	+0⅛	8.10
IBM Credit Corp. 9 92	250	†101½	102	0	+0⅛	8.24
IBM Credit Corp. 9⅞ 92	200	102⅛	102⅝	+0⅞	+0⅞	8.24
IBM Credit Corp. 10 92	200	†104⅛	104⅝	+1	+1½	7.95
Italy 9½ 95	1000	†104⅛	104⅝	+0⅞	+1½	8.51
Italy 9⅞ 99	1000	†106⅛	107	+1⅛	+1⅛	8.53
Ital C. W/W 4⅛ 94	1000	97⅛	98⅞	+1⅞	-2⅛	5.02
Japan Dev. Bank 10 96	200	†107⅝	108⅛	+1⅛	+1½	8.38
KFW Intl. Fin. 9 94	300	†101⅞	102⅜	+0⅞	+1	8.45
L.T.C.B.of Japan 9⅞ 92	200	†101⅛	101⅞	+0⅛	+0⅞	8.66
Metropolis Tokyo 9⅞ 93	200	†102⅞	103⅛	+0⅛	+0⅞	8.42
Nippon Tel.&Tel. 9⅞ 98	250	104⅞	105⅛	+0½	+0⅞	8.60
Norway 8⅛ 93	500	101⅞	101⅞	+0⅛	+0⅞	8.15
Portugal 8⅞ 91	300	†98½	99	+0⅛	+0⅛	9.15
Sumitomo Bank 9⅞ 92	150	†103⅛	103⅝	+0⅞	+1⅛	8.28
Sumitomo Corp. W/W 4 93	1500	106⅛	107⅛	-2⅛	-2⅛	2.08
Sweden 8⅛ 93	200	†101⅛	101⅞	+0⅛	+1	8.39
Sweden 8½ 92	200	†99⅜	100⅛	+1⅛	+1⅛	8.48
Toyota 9⅛ 91	200	102⅛	102⅝	+0⅝	+0⅞	8.17
Toyota Mtr. Corp. W/W 4 95	1500	†101⅛	102⅛	-0⅛	-3	3.40
Victorian Rep 11⅛ 92	150	106⅛	106⅝	+0⅛	+1⅛	8.61
World Bank 8⅞ 99	1500	†101⅛	101⅝	+1	+1⅛	8.37
World Bank 9 97	300	102⅞	103⅛	+0⅞	+1⅛	8.45
World Bank 9 93	300	102⅛	102⅝	+0⅛	+1⅛	8.13
World Bank 9⅞ 98	300	†104⅛	104⅝	+0⅞	+1⅛	8.51
World Bank 9⅞ 99	500	106⅛	107⅛	+0⅜	+1	8.49
World Bank 9⅞ 96	300	*105⅛	105⅛	0	0	8.65

Average price change... On day +0⅞ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6 94	200	†93½	94	-0⅞	-1⅛	7.49
Austria 6½ 99	750	†96⅛	96⅞	+0½	-0⅛	7.23
Bk.Frgn.Econ.USSR 7 96	750	*94⅜	94⅞	0	-0⅛	8.06
Bank of Tokyo 5⅞ 93	100	†94⅞	95⅛	+0⅜	+0⅛	7.38
Commerzbank o/s. 5⅞ 93	300	†93½	94	0	-0⅜	7.62
Credit Foncier 6¾ 99	500	†96⅞	96⅞	+0⅞	-0⅜	8.25
E.I.B. 6⅛ 99	600	†93⅞	94⅛	+1	+0⅛	7.15
E.I.B. 6⅛ 99	300	†93⅝	95⅞	+0⅞	0	7.15
E.I.B. 6⅝ 96	600	†97	97½	+0⅞	-0⅛	7.16
E.I.B. 6⅞ 95	300	†98⅛	98⅛	+0⅛	0	7.18
Euro.Coal& Steel 5⅞ 97	175	†91⅞	92⅛	-0⅛	-0⅛	7.31
Eurofima 6⅛ 96	100	†93½	94	0	0	7.46
Elec De France 5⅞ 97	300	†90⅞	91⅛	+0⅞	-0⅛	7.32
Hydro-Quebec 6⅞ 99	300	†96⅝	97⅛	+0⅝	-0⅛	7.21
Japan Dev. Bk. 5⅞ 95	300	*90⅝	90⅞	0	0	7.50
Japan Finance 5⅞ 97	100	†90⅛	90⅞	+0⅜	-0⅛	7.47
I.A.D.B. 7⅛ 99	300	†100	100⅛	+0⅞	0	7.22
Ireland 6½ 97	300	†94	94½	+0⅛	+0⅛	7.52
Ireland 7⅛ 99	500	†98⅞	99⅜	+0⅛	+0⅛	7.37
Malaysia 6⅛ 94	150	†95⅜	96⅛	0	0	7.27
Nat. West BK. PLC 6 98	300	*90⅛	90⅞	0	-0⅛	7.52
N.H.L. Finance 6⅛ 98	200	†91⅛	92⅛	0	-0⅛	7.96
Nippon Telg.&Tel. 6 95	400	*94⅛	94⅞	0	-0⅛	6.48
Oesters. Kontbk. 5 93	300	†93⅛	93⅞	+0⅛	+0⅛	7.28
Portugal 5⅞ 92	150	†96	96½	+0⅛	+0⅛	7.27
Portugal 6⅞ 95	150	†96⅛	97⅛	-0⅛	-0⅛	7.27
Privatbanken 5⅞ 93	150	†92⅛	93⅛	+0⅞	-0⅛	7.67
Royal Insurance 5½ 92	150	†94⅛	95⅛	0	-1	7.77
Turkey 6½ 95	500	*92⅞	92⅞	0	-0⅛	8.13
Union Bk.Finland 5⅞ 94	200	†92⅛	92⅞	0	-1⅛	7.62
World Bank 6 98	500	†92½	92⅛	+1	+0⅞	7.14
World BK. 6⅛ 97	600	†94⅛	94⅞	+0⅞	+0⅛	7.71
World Bank 6⅛ 99	600	†97⅛	97½	+1	+0⅛	7.13

Average price change... On day +0⅛ on week -0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	*90½	91½	0	-0½	6.79
Asfinag 5 03	100	*89½	89½	0	+1	6.15
B.F.C.E. 4½ 98	200	*89	89	0	-0½	6.16
B.M.W.Fin.Neth. 5 13	150	*86⅛	86⅛	0	0	6.13
Britannia B/S. 4⅛ 94	100	*89⅛	89⅛	0	0	6.89
CIR. Int. W/W 3 93	125	*88⅛	88⅛	0	-1	6.67
Credit Lyonnais 4⅞ 00	100	*88⅞	88⅞	0	+2⅛	6.21
E.I.B 4⅞ 98	150	*89	89	0	+0⅛	6.30
Finn. Exp. Cd. 8⅛ 92	75	*100⅛	100⅛	0	0	8.00
Fletcher Chall. 4⅞ 98	150	*82⅛	82⅛	0	+0⅛	7.83
I.A.D.B. 6 2004	200	*97⅞	97⅞	0	-0⅛	6.22
Kobe City 4⅞ 98	150	*89	89	0	-0⅛	6.30
Leeds Perm. B/S. 4⅞ 93	200	*89⅞	89⅞	0	-0⅛	7.56
Malaysia 5⅛ 98	100	*81⅛	81⅛	0	-1⅛	8.26
Maxwell Comm.Crp. 5 95	150	*81½	81½	0	-2⅛	9.34
Nat. Bk. Hungary 5½ 94	75	*89½	89½	0	-1	8.05
Nationwide Ang.B/S. 4 93	200	*90⅛	90⅛	0	-0⅛	7.15
Prov. Newfoundland 5 03	150	*84½	84½	0	-2	6.73
Thailand 4⅞ 95	200	*83⅛	83⅛	0	+0⅛	8.29
World Bank 5 03	150	*87	87	0	-0⅛	6.45

Average price change... On day 0 on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	100⅛	100⅛	+0⅛	0	5.60
Canada 5⅞ 93	80	100⅛	100⅞	+0⅛	0	5.54
Eurofima 5 1995	20	96⅞	97⅛	+0⅜	-0⅞	5.61
E.I.B. 4⅞ 93	30	97⅝	97⅞	+0⅜	0	5.61
Ireland 5⅛ 93	30	98	98½	+0⅛	-0⅛	5.67
Norway 5⅛ 95	50	97⅞	98⅛	+0⅛	-0⅛	5.55
Sweden 4⅞ 93	50	96⅛	97	+0⅛	-0⅛	5.60
World Bank 5⅛ 98	10	96⅛	97⅛	-0⅛	-0⅛	5.58
World Bank 7 94	20	105⅛	105⅞	+0⅛	+0⅛	5.58

Average price change... On day +0⅛ on week -0⅞

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	97½	98	+0⅛	-0⅛	10.85
Abbey Nat. 11⅝ 95 £	100	96⅞	97⅛	+0⅞	+0⅝	12.46
Aegon 7⅞ 92 FL	100	99⅝	100⅛	0	0	7.91
Alg. Bk. Ned. 5⅞ 93 FL	200	93⅛	93⅞	0	-0⅛	7.98
Austria 7½ 94 ECU	100	95⅛	95⅛	+0⅞	-0⅛	8.74
Bk.Nova Scot.14⅞ 90 A$	75	†97⅞	98⅞	+2⅛	+0⅛	16.13
Barclays Aus.13½ 91 A$	100	95⅛	95⅞	+0⅛	+0⅛	16.32
Belgium 8⅞ 94 Ecu	150	97⅞	97⅞	+0⅛	+0⅛	8.78
BP Capital 9⅞ 93 £	100	91⅞	92⅞	+0⅛	+0⅛	12.62
British Airways 10 98 £	100	89⅛	89⅞	+0⅛	+0⅛	12.06
Brit. Telecom 9½ 93 £	150	91⅞	92⅛	+0⅛	+0⅛	12.48
Comm.Bk.Aust. 12⅞ 93A$	100	†92	92½	+0⅛	-0⅛	15.51
Comm.Bk.Aus.13⅞ 94 NZ$	60	104⅛	104⅞	+0⅛	+0⅛	12.43
Credit Foncier 9 96 Ecu	100	100⅛	100⅞	+0⅛	0	8.88
CrLocalFrance 9⅛ 92Ecu	100	100⅞	101⅛	+0⅛	+0⅛	8.72
Deut.Bk.Aus. 13⅞ 93 A$	125	95	95⅛	+0⅛	-0⅛	15.01
Deutsche Bk.Fin. 15 94 A$	100	100⅞	101⅛	+0⅛	+0⅛	14.68
E.I.B. 7 96 LFr	100	*97	97	0	0	7.61
E.I.B. 7⅛ 99 FL	150	96⅛	96⅞	0	-0⅛	7.66
E.I.B. 9 99 Ecu	150	100⅛	100⅞	-0⅛	-0⅛	8.90
Eurofima 7⅞ 94 Ecu	100	95⅛	95⅞	-0⅛	-0⅛	8.91
Export Dv.Crp.8⅞ 92Ecu	100	99½	100	+0⅛	+0⅛	8.82
Fed.Bus.Dv.Bk. 9 94 Ecu	100	99⅞	100⅛	0	0	8.98
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†98⅞	98⅞	+0⅛	+0⅛	10.32
Fed.Bus.Dv.Bk.10½ 93C$	50	†99⅞	100⅛	+0⅛	+0⅛	10.42
Ferrv. Stato 7⅞ 93 Ecu	100	95⅞	96⅛	+0⅛	+0⅛	9.02
Ford Cr.Can.10⅞ 93 C$	100	†100⅛	100⅞	+0⅛	+0⅛	10.52
Ford Cred.Can.10⅞ 96C$	125	101⅞	101⅞	+0⅛	+0⅛	10.48
Ford Cred.Fund.10⅞ 93£	60	94⅛	94⅞	+0⅛	+0⅛	12.50
G.M.A.C.Canada 11 3/4 94C$	100	103⅛	103⅞	+0½	0	10.72
Heineken 7⅞ 94 FL	150	100⅛	101	+0⅛	-0⅛	7.72
Hydro-Quebec 11 99 C$	400	103⅛	103⅞	+0½	+0⅛	10.44
Lloyds Bank 10⅞ 98 £	150	90⅛	90⅞	+0½	0	12.11
Lloyds Bank 11⅛ 98 £	100	94⅛	95	+0⅛	+0⅛	12.35
Montreal Tst.10⅞ 93 C$	100	†99⅝	100⅛	+0⅛	+0⅛	10.76
Nat. Aus. Bk. 14⅞ 94A$	100	97⅞	98⅞	+0⅛	0	15.29
New Zealand 9½ 93 £	100	90⅞	91⅞	+0⅛	+0⅛	12.72
O.E.K.B. 10⅞ 99 C$	150	†99⅞	99⅞	+0⅛	+0⅛	10.30
Privatbanken 7½ 94 LFr	500	*97½	97½	0	-0⅛	8.18
Royal Bk.Scot.10⅞ 98 £	125	†92½	93	+0⅛	+0⅛	12.06
Saskatchewan 9⅞ 91 C$	150	†98⅞	99⅛	+0⅛	+0⅛	10.47
Saskatchewan 10⅛ 93 C$	200	99⅞	99⅞	+0⅛	+0⅛	10.43
State Bk.NSW. 13⅞ 93A$	100	94⅞	95⅛	+0⅛	0	15.56
Sweden 7½ 93 Ecu	250	95⅞	96⅛	+0⅛	+0⅛	8.74
Sweden 15 94 A$	100	100⅞	101⅛	+0⅛	-0⅛	14.56
Toyota Mtr.Cr.11⅞ 92C$	150	101⅞	102⅛	+0⅛	0	10.51
World Bank 7⅛ 99 FL	300	96⅛	96⅞	0	-0⅛	7.66
World Bank 13⅞ 92 A$	100	97⅞	97⅞	+0⅛	+0⅛	14.46
World Bank 14⅛ 94 A$	75	98⅞	99⅛	0	-0⅛	14.55
Zentrspk. 13⅛ 93 A$	75	†94⅞	95⅛	-0⅛	0	15.00

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.97	100.02	24/10	14.08
Bank of Greece 99 US$	†0⅛	99.68	99.78	8/03	9⅛
Belgium 91 US$	0	100.23	100.33	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.78	99.83	30/11	14.06
Credit Foncier 98 US$	.063	99.95	100.05	20/10	10.16
Dresdner Finance 99 DM	†.031	99.83	99.93	30/10	6.97
EEC 3 92 DM	†0	100.00	100.10	22/02	6⅛
Halifax BS 94 £	.1	100.10	100.15	9/11	13.97
Invt. In Industry 94 £	0⅛	99.93	100.03	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.19	100.24	13/10	14.06
Milk Mkt. Brd. 5 93 £	0⅛	99.91	99.96	29/12	14.94
New Zealand 5 97 £	.07	99.94	100.04	18/11	13.19
Northern Rock 92 £	0⅛	99.86	99.91	20/01	5⅛
State Bk. Nsw. 98 US$	.188	100.28	100.39	11/02	8.81
Woolwich Equit.BS. 93 £	0⅛	100.21	100.26	13/10	14.06
Woolwich 5 95 £	0⅛	99.93	99.98	21/11	14.06

Average price change... On day +0.01 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02 US$	†8/87	62.	119	120	-7⅛	2.72
Amer. Brands 7⅞ 02 US$	†9/87	56.7	121	122	-7⅛	-0.88
CBS. Inc. 5 02 US$	†4/87	200.	96	97	-9⅛	-2.96
Dai-Ichi Kan. 3⅞ 04 US$	7/89	3486.	98⅛	99⅞	-0⅛	3.55
Primerica 5½ 02 US$	†4/87	66.75	71	72	-3	82.65
Eng.China Clay 6½ 03 £	9/88	4.8	87⅛	88⅛	-4⅛	1.64
Fujitsu 3 99 US$	5/84	1106.	215⅛	216⅛	-5	-4.86
Ladbroke Grp. 5⅛ 04 £	10/89	7.1	97	98	-4⅛	124.76
Land Secs. 6⅛ 02 £	6/87	6.72	84⅛	85⅛	-5⅛	9.78
Minolta Camera 2⅛ 94DM	12/86	1004.	107	107⅛	-3⅛	5.01
MCA INC 5⅛ 02 US$	7/87	69.62	98	99	-8⅛	18.61
Mitsubishi Bk. 3⅛ 04 US$	5/89	3266.	91⅛	92⅛	0	1.51
Next Plc 5⅛ 03 £	†11/87	4.3	97	98	-0⅛	311.03
Nikko Nipp.Bk.2⅞ 03 US$	4/88	804.	125⅛	126⅛	-0⅛	0.60
Omnicom Inc. 6 1/2% 04 US$	†10/89	28.	104	105	-0⅛	15.29
Onoen Tatei 2⅞ 02 US$	4/87	1310.	306	306⅛	-9	-5.98
Ranks Hovis 4⅛ 03 £	†1/88	3.5	116	117	-8⅛	-7.75
Redland 7⅛ 02 £	†1/87	5.4	92½	93⅛	-4⅛	2.07
Saatchi&Saatchi 6⅛ 03 £	†10/89	4.41	91	92	-2⅛	18.68
Silicon Graphics 8 04 US$	16/89	23.18	109½	110½	-2⅛	13.32
SumiTomo Bank 3⅛ 04 US$	2/89	4296.	81⅛	82⅛	0	14.06
Texas Inst. 2⅞ 02 US$	†9/87	82.87	75⅛	76⅛	-1	81.88
Utd.Newspapers 8 04 £	10/89	8.77	99⅛	100⅛	+0⅛	97.02
W.R. Grace 6⅛ 02 US$	9/87	42.12	93½	94½	-5⅛	19.52

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Treasuries slump as Dow rebounds

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bond prices slumped yesterday in a mirror image of the rebounding equity market, reversing a large proportion of the gain on Friday when the Dow Jones Industrial Average slumped by 190.58 points.

By late trading, the Treasury's benchmark long bond was quoted around 1⅜ point lower, taking its yield to 7.97 per cent, roughly where it was before Friday's flight to quality.

GOVERNMENT BONDS

The surge on Friday came as the market anticipated that the US Federal Reserve would ease monetary policy and so ensure that there was no liquidity crisis following the rout on the equity market. The Fed said at the weekend it was prepared to respond by providing liquidity.

Fed funds opened at 8¾ per cent and then slipped to 8⅝ per cent. The Fed announced two-day customer repurchase agreements, a non-aggressive addition of reserves to the banking system. Some bond analysts had expected a more aggressive addition of reserve through a system repurchase.

However, by the time it came for the Fed to operate, the stock market was rebounding nicely.

Mr Larry Leuzzi, bond analyst at S.G. Warburg Securities in New York, said that yesterday's Fed operation was a gesture to the market which said that the Fed was standing ready to help and that it did not want to overreact, given that the equity market was looking healthier.

"The Fed wants to return to business as usual as quickly as possible," Mr Leuzzi said.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-02	+34/32	11.41	11.86	11.14
		9.750	1/96	95-17	+33/32	10.57	10.72	10.37
		9.000	10/08	94-24	+38/32	9.61	9.64	9.44
US TREASURY *		8.000	8/99	100-50	-23/32	7.97	8.03	8.12
		8.125	8/19	101-20	-36/32	7.98	8.01	8.12
JAPAN	No 111	4.600	6/98	96.0957	+0.893	5.26	5.31	5.35
	No 2	5.700	3/07	104.4764	+0.380	5.21	5.14	5.18
GERMANY		6.750	6/99	98.2500	+0.950	7.00	6.95	6.96
FRANCE	BTAN	8.000	7/94	95.5553	+0.809	9.18	9.11	8.91
	OAT	8.125	5/99	95.7750	+0.825	8.78	8.71	8.58
CANADA *		9.500	10/98	98.9000	-1.600	9.52	9.51	9.54
NETHERLANDS		7.250	7/99	98.8100	+0.740	7.42	7.38	7.26
AUSTRALIA		12.000	7/99	91.3977	+0.349	13.61	13.64	13.15

London closing, *denotes New York close
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Two rounds of matched sales expired yesterday, meaning that even if the Fed had not added reserves, liquidity was coming back into the market.

The high yield or junk bond market opened around 2 to 3 points lower yesterday, extending the declines seen on Friday after news that the management and employee group of UAL could not get financing at the proposed price for its bid with British Airways for the airline.

■ IN EUROPE and Tokyo, fluctuations in government bond prices during the day caused some confusion in the afternoon and the rallies in the Dow Jones and Footsie indices knocked bond prices off the day's highs in some markets.

The broad picture, however, was of a "false dawn" for government bonds, as investors went for liquidity and, to a certain extent, piled into gilts and government bonds.

■ IN GERMANY, government bonds behaved inversely to equity. Bunds were marked up a point at the fixings and trade in both cash and futures was busy.

The Federal 7 per cent bond was fixed DM1.45 higher at 100.85, to yield 6.88 per cent after 7.09 on Friday.

The December bund futures contract opened "way, way up" at 93.09 (92.56), in the expectation that the Dow would have lost another 70 points at opening. When it had not, the contract fell from its high of 94.17 to trade at around 92.24.

Traders, however, expect bunds to remain strong performers at least until the equity market settles. A record volume of 58,000 futures contracts changed hands yesterday.

■ IN THE UK, there were also sharp initial gains – though the mark-ups were confined to 3 points, compared to the 6 in October 1987.

"Prices tracked Footsie and at the longer end we closed half a point down on the day's highs," said a trader.

The lack of liquidity, however (because of the government surplus and buy-backs of gilt-edged stocks), meant the flight to the certain quality of UK gilts was dismissed by analysts as a "false dawn."

"There is not enough stock to satisfy investors. If we see a heavy fall in equity prices, gilts will rise. But the economic fundamentals and the steeply negative yield curve mean there is no great sustained advance," said an analyst at UBS Phillips and Drew.

■ IN TOKYO, the market closed before the rally in New York made its impact and government bonds did the exact inverse of equities as a result. The yield on the No 111 benchmark went to a high of 5.23 per cent (5.28 close on Friday, after falling 20 basis points in yield).

The No 111 traded just off the day's highs around 5.24 in Tokyo, but was valued even higher in London, where it traded at 5.20. The unexpected resilience of the Dow Jones in New York caused the bond market to falter slightly, but it closed in Tokyo "top heavy" around the day's highs. Traders described the market as "very choppy" and "lacking direction" amid heavy trading.

■ IN FRANCE, the suspension of most shares made it difficult to buy bonds with money raised in the equity markets for a time. As elsewhere, the government bond market was extremely volatile. The December futures contract opened high at 107.60, after closing at 105.98 on Friday.

The seesawing of the Dow Jones was echoed in the bond market, but traders were apparently obeying the French Finance Minister's plea for *sang froid*. In all, as one dealer said, it was "a real rollercoaster of a day – and we've got the US trade figures to come."

Soviet bank receives UK trade financing

By Andrew Freeman

MIDLAND MONTAGU has arranged an Ecu71.65m (£49.5m) trade financing for the Bank for Foreign Affairs of the USSR, thought to the first facility to be concluded under the framework of a credit and financing protocol agreed between the USSR and the UK in February.

The facility will be used to finance the purchase of breakfast cereal production equipment from APV Baker, a UK-based manufacturer of food processing equipment. The production lines will be set up on the sites of former vodka factories.

The eight-and-a-half-year term loan carries a commercial rate of interest, but Midland would not disclose the margin. An official said the rate was attractive and had been partly achieved by an Ecu swap on the funding side.

Funds have been provided by a syndicate of four banks, including Midland, Banque Paribas, Morgan Grenfell and Moscow Narodny Bank. The facility is 85 per cent guaranteed by the Export Credit Guarantee Department.

■ Moody's Investors Service, the US credit rating agency, says in a report published this week that US securities firms face an uncertain outlook in the 1990s, with intense competition and over-capacity putting pressure on their earnings and credit ratings.

The report says that competition from foreign firms will lead to a big restructuring of the global securities industry. In particular, it notes that the big four Japanese securities houses are already rated higher than their US counterparts to reflect their profitability and capitalisation.

The profitability of US securities firms during the 1980s is attributed to "a remarkable coincidence of beneficial events." Now, the bleak outlook implies increased capital requirements as well as significant reduction in overall capacity. Managements will be tempted to respond to the extra pressure by taking greater risks, which will increase the danger of their credit ratings being lowered.

Patchy day for Eurobonds as equity markets seesaw

By Andrew Freeman

SYNDICATE OFFICIALS were mesmerised by seesawing equity markets yesterday and there was patchy action on the Eurobond market. A heavy round of economic data, including US trade figures and consumer prices, is expected to keep the lid firmly on new issue opportunities for the rest of this week.

After the heavy fall on the Tokyo stock market overnight, recent Japanese equity warrant issues came in for a punishing session, with traders reporting a 20 per cent downward correction after busy trading in Tokyo and London. However, there was little retail selling, and dealers said there was little similarity with events in 1987.

INTERNATIONAL BONDS

Nevertheless, there was some surprise when Daiwa went ahead with a four-year $150m deal with warrants for Toyobo Corporation. Deutsche Bank launched a parallel five-year issue in Germany.

The dollar bonds carried an indicated coupon of 4 per cent and final terms will be set on October 23. Daiwa said demand was extremely slow, but in the afternoon session was quoting the paper at 100¾ bid, a small premium to the par issue price.

The DM150m issue, with an indicated 1½ per cent coupon, also had a slow reception, and was quoted by Deutsche Bank at 98⅞ bid, inside full underwriting fees of 2¼ per cent.

Secondary trading was heaviest in warrants separated from bonds, with large variations occurring in price movements. Warrants into special situation stocks held up, as did those in some sectors, notably the domestic construction sector.

Last week's $1.5bn straight issue for Italy had a volatile session, its spread against Treasuries widening sharply to 59 basis points before the rally in New York brought it back to around 46 basis points.

A $50m deal with equity warrants by Merrill Lynch for Sammi Steel, the Korean steel company, is still likely to see the light of day today despite the the choppy market conditions.

Elsewhere, there was almost no new issue activity. Den Danske Bank brought a SKr300m issue for Cera to a slow reception. The bonds were trading outside fees at 99⅞ bid.

In Switzerland, straight bonds rose by around ¼ point as investors turned their attention away from their equity market. There were no new issues and trading was light.

In Germany, traders reported firmer sentiment, but turnover remained low. Prices of recent new issues rose by around 25 pfennigs on average.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyobo Co⊕	150	(4)	100	1993	1½/¾	Daiwa Europe
DM-MARKS						
Toyobo Co⊕	150	(1½)	100	1994	1½/¾	Deutsche Bank
SWEDISH KRONA						
Cera CV◆	300	11¼	101⅞	1994	1¼/⅝	Den Danske Bank
YEN						
Kansallis Osaki Pankki◆(a)	2.7bn	6⅛	101⅛	1991	⅛/½	Nippon Credit Int.
Kansallis Osaki Pankki◆(a)	1.5bn	6.7	101⅞	1995	1¼/⅝	Nippon Credit Int

⊕Equity warrants. ◆Final terms. a)Issue launched in two tranches.

Greece offers three-year deal index-linked to Ecu

By Kerin Hope in Athens

GREECE YESTERDAY offered a new three-year 9.75 per cent bond index-linked to the European Currency Unit (Ecu) to protect investors from depreciation of the drachma.

The tax-free bond is issued at par with a face value in both Ecu and drachmas and will be traded on the Athens Stock Exchange. Both interest and final payment are based on the Ecu but will be made in drachmas at the prevailing exchange rate on payment days.

Funds imported from abroad to buy the new bond can be converted freely and reexported when the buyer sells or when the issue expires, the Bank of Greece said. The bank noted that the D-Mark represents about 30 per cent of the Ecu's value and pointed out that the bond would protect investors from "every unfavourable circumstance, while linking his capital to the Ecu's steady upward course."

It was Greece's fourth index-linked Ecu bond offering in the past six months. The previous issue, offered at 9.5 per cent one month ago, raised Dr57bn ($290m), according to the Bank of Greece.

PaineWebber acquires two French brokers

PAINEWEBBER Group has bought two French brokerage houses, Goldschmidt & Kenk and Groupe de Négoce et de Courtage (GNC), according to Mr Ernst Kenk, president of GNC, Reuter reports.

"These companies, specialising in derivative financial products, will further expand PaineWebber's participation in the European financial markets," GNC said.

Goldschmidt & Kenk, a stock brokerage firm, and GNC, futures and options brokers and dealers, will be folded into PaineWebber International France.

Welsh Water in £450m six-year revolving credit line

By Anthony Moreton, Welsh Correspondent

WELSH WATER yesterday agreed a £450m loan facility in Cardiff with a group of 40 international banks.

The six-year revolving credit line was arranged by National Westminster Bank and syndicated among banks in Continental Europe, North America and Japan.

The facility was completed just a week after Welsh Water, to be privatised next month along with the other nine water authorities in England, announced the takeover for an initial £3.5m of Wallace Evans and Partners, the international firm of consulting engineers.

The takeover was only the second to be negotiated by a water company before privatisation.

Thames Water had already announced a much larger deal, costing £37m, to acquire Portals.

The credit line was described by Mr John Elfed Jones, chairman of Welsh Water, as "a milestone on our path to the private sector.

"This agreement will help us achieve our long-term investment programme designed to improve service standards for customers."

Welsh Water is committed to spending £1.3bn on capital projects over the next 10 years.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Oct 16 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Oct 13 Index No.	Thu Oct 12 Index No.	Wed Oct 11 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	853.32	-4.8	13.04	4.94	9.39	27.02	896.14	899.23	891.14	815.36
2	Building Materials (29)	986.77	-4.4	15.73	5.59	7.95	35.78	1031.93	1034.89	1023.10	1025.89
3	Contracting, Construction (37)	1340.61	-6.0	18.22	5.69	7.16	51.75	1425.76	1423.76	1416.02	1616.34
4	Electricals (10)	2483.21	-3.5	10.71	4.88	11.75	68.90	2572.80	2587.52	2581.03	2329.00
5	Electronics (30)	1916.79	-4.7	10.12	3.83	12.75	49.22	2011.03	2020.15	1996.88	1754.83
6	Mechanical Engineering (54)	457.77	-5.6	12.21	4.92	9.96	14.38	484.85	487.92	485.73	426.63
8	Metals and Metal Forming (6)	442.20	-4.1	23.25	6.77	4.74	15.15	461.32	460.48	457.23	499.55
9	Motors (18)	340.66	-5.2	11.55	4.97	10.13	9.97	359.33	359.02	354.36	284.75
10	Other Industrial Materials (24)	1609.36	-4.2	10.26	4.65	11.50	51.93	1680.40	1609.62	1672.31	1360.77
21	CONSUMER GROUP (184)	1219.50	-3.9	9.02	3.61	13.92	26.91	1268.44	1272.37	1260.61	1093.71
22	Brewers and Distillers (23)	1405.09	-3.2	9.29	3.50	13.46	28.11	1451.79	1459.67	1434.48	1158.28
25	Food Manufacturing (20)	1085.54	-4.5	9.43	3.94	13.39	25.28	1136.83	1141.04	1128.97	967.99
26	Food Retailing (14)	2292.84	-3.0	9.12	3.05	14.49	43.00	2363.49	2379.11	2344.57	1965.17
27	Health and Household (14)	2381.62	-3.3	6.49	2.81	18.15	39.12	2463.66	2463.98	2457.83	1935.01
29	Leisure (34)	1553.17	-4.8	8.47	3.71	14.54	37.26	1631.12	1641.56	1623.43	1398.83
31	Packaging & Paper (15)	512.34	-6.0	11.69	5.08	10.66	16.17	545.05	549.97	558.80	553.89
32	Publishing & Printing (18)	3349.25	-4.2	9.52	5.09	13.49	105.93	3495.30	3509.86	3507.54	3473.29
34	Stores (32)	745.15	-4.3	11.49	4.92	11.36	18.59	778.96	777.98	773.14	767.40
35	Textiles (14)	506.13	-3.2	11.38	5.81	10.73	15.74	522.87	522.17	511.04	525.81
40	OTHER GROUPS (93)	1097.32	-4.1	10.70	4.67	11.33	27.47	1144.77	1139.95	1132.77	913.23
41	Agencies (17)	1440.99	-6.0	7.32	2.50	16.84	25.00	1532.61	1546.34	1536.58	1073.66
42	Chemicals (22)	1188.11	-2.1	12.64	5.27	9.32	43.00	1213.25	1209.48	1209.95	1065.67
43	Conglomerates (13)	1559.38	-2.4	10.96	5.50	10.74	36.04	1598.02	1592.70	1582.45	1259.99
45	Transport (13)	2083.60	-5.2	10.71	4.50	11.94	56.50	2198.29	2207.99	2176.80	1960.30
47	Telephone Networks (2)	1097.81	-3.5	11.04	4.50	11.80	22.38	1137.40	1119.19	1102.16	988.62
48	Miscellaneous (26)	1782.29	-6.7	9.78	4.61	11.55	44.74	1911.16	1908.77	1915.04	1227.41
49	INDUSTRIAL GROUP (485)	1103.72	-4.2	10.51	4.25	11.73	28.00	1151.78	1153.00	1143.39	985.66
51	Oil & Gas (15)	2136.27	-3.2	10.14	5.31	13.03	87.50	2206.27	2212.00	2203.08	1772.86
59	500 SHARE INDEX (500)	1190.37	-4.0	10.46	4.40	11.89	32.85	1240.40	1241.97	1232.37	1052.67
61	FINANCIAL GROUP (121)	732.36	-3.6	–	5.70	–	28.17	760.01	765.00	760.19	703.01
62	Banks (9)	749.04	-1.9	23.04	6.67	5.71	35.17	763.46	775.26	768.50	688.83
65	Insurance (Life) (8)	1187.05	-1.7	–	5.34	–	47.56	1207.39	1196.40	1184.01	1004.35
66	Insurance (Composite) (7)	626.95	-2.4	–	6.03	–	28.34	642.50	641.14	638.83	544.76
67	Insurance (Brokers) (7)	967.34	-4.1	7.80	6.50	17.00	45.26	1008.26	997.89	992.04	959.44
68	Merchant Banks (11)	369.14	-9.1	–	4.58	–	9.70	405.95	406.63	399.41	338.48
69	Property (49)	1130.79	-5.5	7.84	3.59	16.25	21.42	1196.45	1219.34	1212.09	1243.36
70	Other Financial (30)	304.56	-9.4	12.99	7.24	10.04	13.25	336.30	335.56	335.29	366.83
71	Investment Trusts (68)	1143.98	-6.5	–	3.02	–	28.26	1223.33	1221.44	1215.82	926.75
81	Mining Finance (1)	655.67	-3.0	11.40	4.11	9.86	22.25	676.20	678.77	680.05	572.87
91	Overseas Traders (8)	1264.35	-5.6	10.94	6.31	10.49	48.84	1339.27	1346.48	1333.64	1348.91
99	ALL-SHARE INDEX (698)	1078.89	-4.1	–	4.57	–	31.38	1124.57	1127.04	1118.61	965.05

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Year ago
FT-SE 100 SHARE INDEX♦	2163.4	-70.5	2163.4	2029.7	2233.9	2237.8	2218.8	2218.8	2247.0	1860.0

FIXED INTEREST

	PRICE INDICES	Mon Oct 16	Day's change %	Fri Oct 13	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.97	+0.92	115.93	0.02	9.73
2	5-15 years	130.95	+1.85	129.47	0.92	11.60
3	Over 15 years	141.87	+2.33	138.64	–	12.00
4	Irredeemables	164.98	+2.34	161.20	–	8.83
5	All stocks	129.10	+1.61	127.56	0.51	11.14
	Index-Linked					
6	Up to 5 years	137.87	+0.90	136.65	–	2.79
7	Over 5 years	137.17	+1.34	135.67	0.31	3.21
8	All stocks	137.11	+1.31	135.62	0.29	3.15
9	Debentures & Loans	109.05	+0.95	108.74	0.73	8.99
10	Preference	87.30	-0.04	87.67	0.33	5.05

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 16	Fri Oct 13	Year ago (approx.)
	British Government				
1	Low	5 years	10.16	10.45	9.59
2	Coupons	15 years	9.49	9.73	9.20
3		25 years	9.34	9.58	8.92
4	Medium	5 years	10.86	11.25	9.98
5	Coupons	15 years	9.82	10.10	9.42
6		25 years	9.45	9.70	9.10
7	High	5 years	10.98	11.37	10.07
8	Coupons	15 years	10.04	10.32	9.58
9		25 years	9.62	9.86	9.18
10	Irredeemables†		9.40	9.63	8.90
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.82	4.10	3.06
12	Inflation rate 5%	Over 5 yrs.	3.64	3.73	3.75
13	Inflation rate 10%	5 yrs.	2.92	3.20	1.86
14	Inflation rate 10%	Over 5 yrs.	3.46	3.55	3.57
15	Debs &	5 years	13.15	13.41	11.80
16	Loans	15 years	12.10	12.49	11.01
17		25 years	11.63	11.83	10.71
18	Preference†		10.55	10.54	10.11

♦Opening index 2076.8; 10 am 2101.9; 11 am 2091.5; Noon 2057.2; 1 pm 2038.1; 2 pm 2053.1; 3 pm 2078.7; 3.30 pm 2113.7; 4 pm 2123.1 (a) 5.00pm (b) 12.49pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. CONSTITUENT CHANGES: Avis (9) has been deleted and replaced by Barry Wehmiller International (10). FT-SE 100 INDEX: Share capital changes for the constituents can be found daily on Topic page no. 10214.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	102	0	2
Corporations, Dominion and Foreign Bonds	25	1	16
Industrials	15	1,515	67
Financial and Properties	9	614	51
Oils	2	73	19
Plantations	0	6	5
Mines	0	122	51
Others	5	214	45
Totals	158	2,545	256

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
120	F.P.	3/11	135	117	Barse Group 10p	121	-5	L4.25	2.3	4.7	9.3
§100	F.P.	-	126	100	§Boxmore Intl. 10p	103	-10	u5.2	1.9	6.7	9.9
§74	F.P.	-	82	63	§Brandon Hire 10p	64	-11	u3.33	1.6	6.9	9.5
Ir56	F.P.	2/11	71	56	§Cambridge Group Ir5p	58	-7	dQ7½%	14.8	0.6	14.9
§110	F.P	-	119	98	§Cooper Clarke Group 10p	100	-9	u4.5	1.9	6.0	8.1
††	F.P.	21/11	82	66	*DSC Hldgs.	68xr	-5	-	-	-	-
85	F.P.	-	96	63	§Diamond Group Hldgs 5p	63	-12	LL13	4.7	2.4	12.0
□	F.P.	3/11	540	465	Drayton Asia Tst Units	493	-32	-	-	-	-
-	F.P.	-	865	700	§Elan Corporation Ir4p	700	-50	-	-	-	66.1
50	F.P.	8/11	53	40	§Essex Furniture 5p	43	-6	u1.88	2.3	5.8	9.7
Ir96	F.P.	20/10	95	83	§FBD Hldgs. Ir50p	83	-8	uQ3.2%	5.2	1.6	11.9
100	F.P.	-	102	93	Greyfriars Inv	93	-8	-	-	-	-
-	F.P.	-	105	81	Leveraged Opportunity Tst.	81	-14	-	-	-	-
-	F.P.	-	61	38	Do. Warrants	41	-12	-	-	-	-
20	F.P.	-	21	19	§Millwall Hldgs. 1p	20		-	-	-	37.7
†	F.P.	-	671	624	Mitsubishi Corp. Y50	624	-30	Q14%	4.3	0.5	46.8
♦	F.P	-	168	133	PFG Hodgson Kenyon 10p	134	-19	-	-	-	-
§50	F.P.	-	52	40	Pacific Horizon Inv Tst10p	42	-6	-	-	-	-
-	F.P.	-	27	18	Do. Warrants	18	-6	-	-	-	-
-	F.P	-	25	17	Pacific Prop. I.T. Wrrnts	18	-6	-	-	-	-
§130	F.P.	-	143	115	Partridge Fine Arts 10p	117	-14	R3.5	2.5	4.0	10.8
†	F.P.	-	475	340	Presidio Oil "A" 10c	460		Q2.5c	-	0.3	-
100	F.P.	2/11	103	95	River & Merc Extra Inc 1p	96	-4½	N7.5	-	10.4	-
-	F.P.	-	25	20	Do. Warrants	22	-1	-	-	-	-
†	F.P	-	792	745	Saitama Bank Y50	756	-9	Q13%	4.7	0.4	56.3
-	F.P.	-	1085	1061	Tokai Bank Y50	1085		Q16%	4.1	0.3	73.9
90	F.P.	-	94	68	Vardy (Reg) 10p	74	-14	u3.38	2.2	6.1	7.5
§109	F.P.	-	121	112	§Westminster Scaffold.10p	112	-3	R5.0	1.6	6.0	12.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
♦	F.P.	-	104p	95p	Bowater Inds. 7.75pc Cv. Pf.	95p	-5
105p	F.P.	-	108½p	95p	British Aerospace 7.75p (Net) Cv. Pf.	95p	-1½
§100p	Nil	20/10	3pm	¼pm	British Airways Cap. 9¾pc Cv Cap.	¼pm	
100p	Nil	17/11	3¼pm	¼pm	City Site Ests. New 5¼pc Cv Rd Pf	¼pm	
100p	F.P.	14/9	102p	75p	§Corton Beach 7.5p(Net) Cv. Pf.	75p	-16
♦	F.P.	-	50p	45½p	Fleming Tech Zero Div. Pf	46p	+½
♦	F.P.	-	51p	46p	Gartmore Am. Secs. Zero Div Pf 5p	46p	-3
100p	F.P.	28/7	104p	94p	Hartwell 7¾p (Net) Cv.Pf. £1	94p	-2
100p	F.P.	-	106p	91p	§Kunick 8.25p Cnv. Rd.Pf	91p	-7
§100	F.P.	-	103	80½	Leveraged Opportunity Tst Cv Uns Ln	80½	-14
100p	F.P.	-	107p	83p	London Secs. 8¼pc Cv. Rd. Pf.	83p	-5
§100p	F.P.	20/10	102p	81p	Lookers 8pc Cnv.Rd.Pf	81p	-4
-	F.P.	-	100	98¾	Nationwide Anglia 13½pc Bds. 3/9/90	99	+⅜
§99.1	F.P.	-	107	99¼	Do. 4.25pc Index-Linked 2024	105	-½
100p	F.P.	-	103p	85p	Owen & Robinson 8½pc (Net) Cv. Pf.	85p	-10
♦	F.P	-	88p	78p	PFG Hodgson Kenyon 6¾pc Pf. '91-2001	78p	-2
§100p	Nil	15/11	3pm	¼pm	Ransomes 8.25p (Net) Cv. Pf. 12½p	¾pm	+½
§100	F.P.	21/8	105½	98½	Renaissance Hldgs 8.5pc Cv Ln 1994	98½	-2
121	F.P.	-	121	104	Scot Am Inv Eq Index Uns Ln 2004	104	-9½
§420p	P.P.	10/7	138p	100p	Tiphook Units	100p	-6
§100p	F.P.	25/7	121p	100¼p	WPP 8.25p Cv.Rd.Pf. 10p	104p	-6

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
66	F.P.	6/11	75	67½	Mock Group 10p	68	
195	Nil	22/11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
75	Nil	23/11	[illegible]	[illegible]	DSC Hldgs	[illegible]	[illegible]
125	Nil	23/10	[illegible]	[illegible]	Evered	[illegible]	[illegible]
340	Nil	22/11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
160	Nil	1/12	[illegible]	[illegible]	Millwall Hldgs	[illegible]	[illegible]
245	Nil	28/11	[illegible]	[illegible]	Polly Peck Intl. 10p	[illegible]	[illegible]
330	Nil	15/10	[illegible]	[illegible]	Wace Group 20p	[illegible]	-14

a Annualised dividend b Figures based on prospectus estimates. [illegible]

TRADITIONAL OPTIONS

- First Dealings Oct 9
- Last Dealings Oct 20
- Last Declarations Jan 11
- For settlement Jan 22

For rate indications see end of London Share Service

Calls in Amstrad, Atlantic Res, Benlox, Citivision, Conroy, Heemocell, Hyman, Lee Arthur, Norfolk Cap, Polly Peck, Tusker, Put FKI

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allid Lyons (*478)	460	18	40	58	7	27	32
	500	6	22	40	35	43	45
Brit. Airways (*193)	160	28	-	-	1	-	-
	180	10	19	25	3	7	10
	200	3	9	14	16	20	23
Brit Com (*119)	130	2	11	18	18	20	22
	140	1	8	13	28	29	30
	160	1	3	8	48	48	49
Smithk Bchm (*533)	500	-	-	66	-	-	20
	541	6	28	-	23	35	-
	560	-	-	40	-	-	45
Boots (*265)	240	21	32	-	3	8	-
	260	10	23	31	10	20	25
	280	5	12	21	26	33	36
B.P. (*299)	280	17	27	45	4	11	16
	300	4	16	24	9	20	25
	330	¼	6	13	36	36	37
British Steel (*125)	125	2	-	-	5	-	-
	135	¼	2½	5	12	14	15
Bass (*965)	900	55	80	-	5	25	-
	950	12	52	85	20	50	55
	1000	6	30	60	60	80	85
C & Wire (*499)	460	35	70	-	11	28	-
	500	14	50	70	24	47	54
Cons. Gold (*1480)	1400	80		-	2	3	-
	1450	30	35	-	5	7	-
	1500	4	4	-	-	35	-
Courtaulds (*337)	300	29	40	-	3	10	-
	330	10	21	32	11	19	21
	360	2	9	19	35	38	39
Com. Union (*440)	390	40	54	64	2½	10	15
	420	17	32	41	8	20	25
	460	2	16	20	35	35	40
G.K.N. (*384)	360	20	40	-	4	12	-
	390	4	25	33	18	26	37
Grand Met. (*546)	500	45	75	-	3½	12	-
	550	7	43	58	18	30	42
I.C.I. (*1172)	1100	65	-	-	20	-	-
	1150	23	85	105	30	45	55
	1200	4	60	77	60	67	85
Jaguar (*648)	600	55	105	125	16	40	50
	650	30	78	100	30	70	75
	700	15	58	80	65	95	105
Kingfisher (*272)	260	10	27	-	10	16	-
	280	4	17	27	22	24	27
	300	1	9	16	40	40	42
Ladbroke (*297)	275	20	33	-	6	13	-
	300	4	13	28	15	21	26
Land Secur (*506)	500	10	32	48	10	25	27
	550	1½	12	25	60	63	65
M & S (*184)	180	5	11	19	7	9	14
	200	½	4½	10	24	24	25
STC (*292)	280	9	25	-	18	22	-
	300	4	18	25	30	35	40
Sainsbury (*249)	240	10	20	28	5	8	10
	260	1	10	17	17	18	20
Shell Trans. (*426)	390	35	58	67	2	8	16
	420	9	37	45	11	20	27
	460	1	16	23	40	40	43
Storehouse (*123)	130	2½	6	10	13	17	19
	140	1	4	6	23	23	23
Trafalgar (*327)	317	10	20	-	5	18	-
	330	-	-	27	-	-	30
	347	3	10	-	28	38	-
Utd. Biscuits (*356)	330	23	43	52	8	16	20
	360	5	27	37	15	32	35
	390	2	16	23	45	50	53
Unilever (*630)	600	18	55	72	8	20	27
	650	3	25	45	40	45	58
	700	1	13	25	90	90	90
Ultramar (*329)	300	27	43	53	3	11	16
	330	6	25	35	15	20	25
	360	1	14	20	37	38	40

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit. Aero (*558)	550	29	55	65	22	35	45
	600	10	33	45	55	62	75
	650	2½	20	30	105	105	113
BAA (*326)	300	30	-	-	7	-	-
	330	13	22	32	20	24	25
	360	3	11	20	41	45	46
BAT Inds (*758)	700	85	100	-	15	35	-
	750	45	65	-	35	55	-
	800	25	48	65	60	80	95
BTR (*421)	390	37	55	65	8	13	18
	420	18	37	45	18	25	30
	460	6	20	28	48	48	55
Brit. Telecom (*265)	260	13	22	32	9	15	17
	280	4	12	20	21	24	27
	300	2	-	-	40	-	-
Cadbury Sch (*364)	360	17	35	45	23	32	38
	390	7	25	35	45	50	57
Guinness (*596)	550	52	82	93	9	13	20
	600	23	48	57	25	30	37
	650	3	25	37	60	64	67
GEC (*224)	220	12	20	29	8	11	14
	240	3½	10	17	22	24	26
Hanson (*213)	200	15	17	24	5	10	13
	220	4	8	13	18	20	23
LASMO (*497)	479	30	-	-	13	-	-
	500	20	45	62	25	32	40
P. & O. (*584)	600	17	40	52	32	40	47
	650	5	22	30	75	80	83
Pilkington (*210)	200	12	19	28	9	12	13
	220	5	11	18	22	23	24
Plessey (*268)	240	30	30	-	¼	¼	-
	260	10	10	-	¼	¼	-
	280	¼	¼	¼	-	14	-
Prudential (*189)	180	9	15	21	5	8	10
	200	2	7	10	20	20	20
	220	1	3	4	40	40	40
Racal (*230)	210	23	35	43	14	17	24
	230	11	25	33	20	25	34
	250	4	15	-	32	37	-
R.T.Z. (*511)	500	-	-	59	-	-	34
	542	9	32	-	44	45	-
	550	-	-	35	-	-	60
Scot. & New (*370)	360	28	40	50	20	30	35
	390	20	30	40	38	47	47
Tesco (*191)	180	14	22	26	7	8	12
	200	4½	11	14	20	20	22

Option		Calls Nov	Calls Jan	Calls Mar	Puts Nov	Puts Jan	Puts Mar
Abbey Nat. (*142)	140	5	92	12	6	8	8
	160	2	4	4	22	22	23
Ferranti (*56)	50	8	12	14	2	3	4½
	60	3	6	8½	6	8	10

Option		Calls Nov	Calls Jan	Calls Apr	Puts Nov	Puts Jan	Puts Apr
ASDA Grp. (*151)	140	15	-	-	10	-	-
	160	7	13	20	23	25	27

Option		Calls Nov			Puts Nov		
Gateway (*237)	220	-	-	-	1	-	-
	240	1	-	-	11	-	-

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*51)	50	8	12	14	12	31	15
	60	4	7½	9	17	19	20
Barclays (*483)	460	35	50	-	25	35	-
	500	12	28	37	40	60	65
Blue Circle (*215)	200	23	32	33	7	11	17
	220	11	17	25	17	22	25
British Gas (*199)	180	23	28	35	4	7	11
	200	8½	15	22	8½	16	20
	220	2½	6	12	25	27	28
Dixons (*115)	120	7	12	17	15	17	20
	130	5	8	11	23	25	26
Glaxo (*1415)	1400	73	118	-	55	64	-
	1450	50	95	122	85	90	97
	1500	32	73	97	120	125	130
Hawker Sidd. (*642)	600	65	95	103	33	45	50
	650	37	65	78	60	75	80
Hillsdown (*255)	260	14	23	33	20	22	25
	280	7	14	22	37	38	40
Lonrho (*244)	257	11	-	-	24	-	-
	260	-	17	22	-	37	37
Midland Bk (*318)	300	27	-	-	15	-	-
	329	8	-	-	35	-	-
R. Royce (*172)	160	16	22	26	5	9	13
	180	6	12	16	18	19	25
Sears (*103)	100	7	11	14	6	7½	9
	110	4	7	10	12	13	15
THF (*301)	280	27	-	-	8	-	-
	300	17	32	35	20	22	28
	330	7	20	22	40	42	44
Thorn EMI (*726)	750	27	48	73	55	60	63
	800	13	30	55	95	97	100
TSB (*106)	100	8	12	-	3	5	-
	110	4	6	10	10	12	13
	120	1	2	4½	20	20	23
Vaal Reefs (*572)	70	9	11	-	4	8	-
	80	6	7	8	10	13	14
Wellcome (*609)	600	40	62	85	30	45	47
	650	20	40	63	70	73	75

FT-SE INDEX (*2163)

	2100	2150	2200	2250	2300	2350	2400	2450
CALLS								
Oct	65	40	25	10	6	3	1	1
Nov	120	90	60	43	35	16	10	7
Dec	140	110	85	56	45	27	18	11
Jan	170	135	110	90	70	60	40	30
Jun †	245	-	195	-	145	-	115	-
PUTS								
Oct	75	95	130	170	220	270	320	370
Nov	95	120	156	190	230	275	320	370
Dec	115	120	150	180	220	258	300	340
Jan	110	130	160	200	235	260	320	360
Jun †	140	-	180	-	250	-	330	-

October 16 Total Contracts 89,374
Calls 34,802 Puts 54,572
FT-SE Index Calls 7,718 Puts 22,201
*Underlying security price at 5pm. † Long dated expiry mnths

BUSINESSES FOR SALE

FREEHOUSE
In secluded grounds,
West Yorkshire/Lancashire location

A MAGNIFICENT DETACHED olde worlde Freehouse DESERVING THOROUGH INSPECTION. Taking £8,000 weekly - Cosseted by acres of open countryside. Ser lounge, bar lounge, main lounge, function room WITH FACILITIES FOR PRIVATE PARTIES, beer gardens, commercial kitchen OWNERS tudor style accommodation. BUSINESS & PROPERTY £400,000. A TEMPTING CONCERN. Ref. LT134

Ernest Wilson
The Business Specialist
Tel: Bradford (0274) 390486/721580

OUTSTANDING FISHERIES WITH CAFE,
South Yorkshire

ENJOYING WEEKLY TAKINGS OF £6,000- NO EVENING OPENINGS! Serving THRIVING COMMUNITY IN HEART OF BUSTLING TOWN. Outsales with 5 pan rang, CAFE accommodating 64 diners, overflow eating area for 28. ANY FISH FRYING ENTREPENEUR WILL REVELL IN INCREASING TURNOVER WITH INTRODUCTION OF SUPPER OPENINGS. Business £250,000 FC793

Ernest Wilson
The Business Specialist
Tel: Bradford (0274) 390486/721580

GENERAL ENGINEERING, SHEET METAL FABRICATION,
West Yorkshire

Annual turnover approaching £400,000 - Audited Gross Profit Margin approx. 50%. TURNOVER RAPIDLY INCREASING. Expensive modern machinery. FULL ORDER BOOK. Substantial freehold premises. BUSINESS & PROPERTY £750,000. GENUINE ENQUIRIES INVITED. Quote Ref: M616

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The Business Specialist
Tel: Bradford (0274) 390486/721580

CRANE HIRE COMPANY FOR SALE

Great potential for expansion.
Profits £250,000 p.a.
Write Box H5282, Financial Times, One Southwark Bridge, London SE1 9HL

SWITZERLAND 12 BOUTIQUES FOR SALE. Write Box H5155, Financial Times, One Southwark Bridge, London SE1 9HL.

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£1 Million turnover excellent premises loyal customer base experienced staff Glasgow based genuine reasons for sale
041 204 0676

South East London
New/Used Motor Vehicles

Main franchise operating from very busy region. Vehicles sales turnover 1988 £4m projected 1989 £5m. (There are no fuel sales). Excellent profit record. Rent review recently negotiated for ensuing 5 years.
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Authorised capital.
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(9.30 - 4.30)
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Principle enquiries to Gill Pearson - 0246 200013

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For Sale

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£154,000
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Southern England, airfield based, CAA approved M3 organisation. Good opportunities. Immediately available as going concern.
Aviation Business Consultants, Century House, Reading Street, Tenterden, Kent. Tel: 023 383 641

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MAIL ORDER COMPANY FOR SALE

Turnover approx. £4m. Mailing list approx £½m. Tax losses approx £300k.
Write Box H5290, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

FOR SALE

General Insurance Brokerage
100% Industrial & Commercial Portfolio
Premium income circa. £1 million.
Please contact:
Anthony Swift & Partners,
Corporate Consultants
Pear Tree House, Barnby on the Marsh, Humberside DN14 7HL

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Small circulation paid-for consumer county magazines, both established in the market place. Principals only need write on Company letterhead to
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HOTELS & LICENSED PREMISES

ROBERT BARRY & Co
HOTEL AND LICENSED PROPERTY SPECIALISTS

THE DENBIGH ARMS, LUTTERWORTH, LEICS. 3-STAR 34-BEDROOM (ALL EN SUITE) HOTEL in town centre. Reception lounge, cocktail bar, restaurant (70), conference suite (60). Good profits on rising T/O £607,798. Offers around £2m freehold complete. (Cirencester office). FTCP 7825.

THE SWAN HOTEL, LEIGHTON BUZZARD, BEDS. 3-STAR FULLY LICENSED GEORGIAN COACHING INN in town centre. 38 en suite bedrooms, 2 bars, sitting room, restaurant (65), conference room (50). £150,076 profits on net T/O £764,386. Offers over £2.5m freehold complete. (Cirencester office). FTCP 7824.

KINGS COURT HOTEL, NR. ALCESTER. WARKS. FULLY LICENSED COUNTRY HOTEL requiring completion of major modernisation. 22 bedrooms, lounge, meeting room, restaurant, bars, function suite/bar. P.P. for 40 bedrooms, restaurant, leisure facilities - over 4 acres total. Offers over £1m freehold complete. (Cirencester office). FTCP 7669.

MAYFAIR, W1 01-491 3026 · CIRENCESTER (0285) 641642 · HARROGATE (0423) 566362 · EDINBURGH 031-225 2944

CONFERENCES

CONTACT WITH THE USSR
A BUSINESSMAN'S GUIDE

THE TRADE DELEGATION OF THE USSR IN THE UK AND SOVIET ANGLO TECHNOLOGY LIMITED IN CONJUNCTION WITH THE LENINGRAD CITY COUNCIL AND LENINGRAD INNOVATION BANK
PRESENT A SEMINAR

MONDAY	DECEMBER	4TH 1989 SEMINAR
TUESDAY	DECEMBER	5TH 1989 SEMINAR
WEDNESDAY	DECEMBER	6TH 1989 SEMINAR
THURSDAY	DECEMBER	7TH 1989 PRIVATE APPOINTMENTS
FRIDAY	DECEMBER	8TH 1989 PRIVATE APPOINTMENTS

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NW3 3ST

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TELEPHONE: (021) 355 0762
TELEX: 334284
FAX: 0543 264924
TWO DUKE STREET, SUTTON COLDFIELD, WEST MIDLANDS, B72 1RJ ENGLAND

Please send me details of your forthcoming seminar
Name.................................. COMPANY..................................
ADDRESS..................................
Telephone..................................
Please send to Soviet Anglo Technology Ltd. Two Duke Street, Sutton Coldfield, West Midlands B72 1RJ England

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- Location UK or Mainland Europe
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Do you share our vision? Do you know a company which fits our requirements? We are interested in outright purchase or assisting potential M.B.O. teams.

In the first instance write or send a fax (confidential) to:- Karl Watkin, Crabtree of Gateshead Ltd.,
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Tel: (091) 487 5071
Fax: (091) 487 3997 Confidential Fax: (0670) 510097

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Please write in strictest confidence to Box H5283, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESSES WANTED
COTTAGE LETTING AGENCIES

Airtours plc is interested in discussions with owners of Cottage Letting agencies with a view to acquisition.

Please contact: Matthew Cheetham, Managing Director, The Cottage Directory, Rawtenstall, Lancashire.
Tel: 0706 830880

SALE AND SERVICE OF PHOTOCOPIES AND OFFICE EQUIPMENT

A successful company in the photocopier/office equipment field is now seeking to identify businesses in the same or related fields for acquisition.

Businesses with a turnover in the range £250K to £1 million are of particular interest. Preferred area, London and Home Counties.

Reply to: Peter Samuels
Clarkson Hyde
Chartered Accountants
and Consultants
137-143 High Street
Sutton, Surrey SM1 1JH

Kitcat & Aitken
Quoted PLC seeks Retail Acquisitions

We have been retained by a long established quoted retail group which wishes to acquire profitable businesses. Of particular interest are retail businesses having sound management and capable of further development but requiring additional capital.

If you are considering a sale, contact in the first instance-
Nicholas Botterill
Kitcat & Aitken*
71 Queen Victoria Street
London EC4V 4DE
Tel: 01-489 1966 Fax: 01-329 6180

* A Division of RBC Dominion Securities International Limited.
A member of The Securities Association and of The Stock Exchange

METAL PRESSINGS FIRM WANTED

Should have toolmaking facility. Small but well established and profitable. Location within 30 miles of Greater London area. In reply send equipment list and factory size. State earnings history and asking price for sale. Partnership also considered.

Write Box H5295, Financial Times, One Southwark Bridge, London SE1 9HL

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Established Packaging Company, turnover £1.5m, is seeking to acquire or merge with similar business. A PLC subsidiary, the company produces four colour print to a size six sheet and supplies folding cartons to users in various industries. Interested parties should be compatible from a production point of view and be well managed businesses capable of operating independently in a PLC environment.

Write Box H5261, Financial Times, One Southwark Bridge, London SE1 9HL

HOUSEBUILDER - NORTH ENGLAND

Progressive and profitable PLC wish to acquire a Housebuilder with land bank in North England with or without management. Would also consider acquisition of part of land bank.

Please reply to:
R.F.D. Birch, C/o Field Cunningham & Co
St John's Court, 70 Quay Street, MANCHESTER M3 3EL

WANTED DISTRIBUTION COMPANY

Major overseas distribution company seeks UK exposure in distribution market through either a private or public company. Company should have pre-tax profits in excess of £250,000 and existing management who are prepared to remain.
Healthcare, pharmaceutical, household and electrical goods distribution companies would be of particular interest.
Write Box H5259, Financial Times, One Southwark Bridge, London SE1 9HL

DIRECTOR

With substantial resources will provide capital and counsel to Software, Information Services, Directories and Image Banks of particular interest. Also other business-to-business products and services.

Write Box F8728, Financial Times, One Southwark Bridge, London SE1 9HL

Businessman with successful city record

seeks to acquire small, private, service-based companies. Funds available. If you are the owner of, or agent for, a cash generating service business and are interested in a full disposal or releasing part of your capital, please write in the first instance, in the strictest confidence to:

Box H5286, Financial Times, One Southwark Bridge, London SE1 9HL

PLC

seeks, for cash, acquisitions/mergers complementary to it's own specialisations in sales promotion merchandising and the importation of fancy goods, giftware, leisure goods and luggage.
Desired bedmates will have virile management, a sound customer portfolio, a turnover in the £1m to £5m range, but current profitability is not an essential prerequisite.
An in-house packaging facility would be an attractive plus.
Write Box H5172, Financial Times, One Southwark Bridge, London SE1 9HL

WANTED - EMPLOYMENT AGENCIES

We act for clients who are a fully listed public company. They are seeking employment agencies and recruitment consultancies with pre-tax profits in excess of £100,000 per annum.

Reply in confidence to Mr S Fruhman Davies & Co, 40 King Street West, Manchester M3 2WY.

Leisure Company

interested in acquiring Company involved in marketing, design, sports sponsorship, character licensing or leisure. Particularly interested in Themed leisure.
Write Box H5299, Financial Times, One Southwark Bridge, London SE1 9HL

WANTED - BUSINESS DIRECTORIES

Growing business database and directory company interested in company titles or interested in companies involved in publishing from business databases.
All responses will be promptly acknowledged and treated in strictest confidence.
Write Box H5287, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

NATURAL MINERAL SPRING/BOTTLED WATER CO.

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Write Box H5304, Financial Times, One Southwark Bridge, LONDON. SE1 9HL.

North American Industrial Group

would like to acquire a U.K. based manufacturer of consumer products with a North American export presence or potential. Sales of £5-15 Million.
Reply to: Suite 2316, 120 Adelaide Street West, Toronto, Ontario, M5H 1T1, Canada.

BUSINESS OPPORTUNITIES

£100,000 + REQUIRED

By Electronics firm with new product fully developed and market tested. Wide application in Home & Industry means this will be a major earner. Interested parties please send details in the first instance to:
Write Box F9328, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

WEAVING MILL

in Southern Ireland seeks active, full-time partner with Textile experience. Large portion of equity available against an injection of working Capital.
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Tel 056 886-253

£250K

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-GRANVILLES-
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NEXT AUCTIONS of life assurance policies for investment will be held on Thursday 26 October and Thursday 16 November. Telephone H.E. Foster & Cranfield for catalogue. 01-608 1941. (FIMBRA member).

PRODUCT DESIGN AND DEVELOPMENT Consultancy seeks collaboration with manufacturers and marketers in UK and abroad. Write in confidence Box F9319, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

NATURAL BEAUTY PRODUCTS U.K.

Cosmetics and toiletries manufacturer. Overseas rights/licences available.
Contact Roger Lees
(0636) Fax 650456. Tel: 766566

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

BUSINESS FOR SALE

Tower Timber Group
(In Receivership)

The Joint Administrative Receivers wish to dispose of the businesses of the following trading subsidiaries:—

- Evans Bellhouse (Timber) Ltd
  specialists in softwood timber products.
- David Roberts Son & Co (Bootle) Ltd
  A specialist constructional timber company.

The assets for sale comprise stock, plant and equipment, goodwill, customer lists, etc.

The business currently operates from a site in the Liverpool area. The workforce comprises of approximately 40.

The recent turnover figures are:

	Evans £000's	Roberts £000's
Year to 30 November 1988	2,874	2,907
10 months to 30 September 1989	2,537	2,173

For further information please contact:—
Cyril W Nield
Joint Administrative Receiver
Cork Gully,
Abacus Court,
6 Minshull Street,
Manchester M1 4ED
Telephone:— 061-236-9200
Telefax:— 061-247-4000
Telex:— 667257

C&L Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

FOR SALE
The Share Capital of Explorer Cars Limited

The Company, established in 1985 near Bournemouth, Dorset, is engaged in the development and manufacture of various electrical and mechanical mobility aids for the Disabled. Major product is the well-known "Safari" range of 4/8 m.p.h. fully roadworthy 4 wheeled vehicle with current U.K. sales circa 150 units p.a. with considerable potential both in U.K. and Worldwide markets.
For further information contact:
Anthony P. Locke F.C.A.
BEGBIES
Chartered Accountants
6 Raymond Buildings
Gray's Inn
London, WC1R 5BP
Tel: 01-405-1219 Fax: 01-405-0850

For Sale by the Liquidator the assets of
TRADEWIND FABRICATIONS LIMITED
(In Liquidation)

A manufacturer of UPVC windows, conservatories and doors, operating from 12,000 sq. ft. factory near Plymouth. Turnover 1988/89 £1.6 million

Enquiries to: The Liquidator, PR Sykes
BDO Binder Hamlyn 8 St Bride Street
London EC4A 4DA
Tel: 01-353 3020

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BSN to take control of German noodle producer

By George Graham in Paris

BSN, the leading French foods group, has reached an agreement to take control of Birkel, the second largest producer of pasta and noodles in West Germany.

The group headed by Mr Antoine Riboud has already been on the acquisitions trail this year, with the $1.2bn purchase of RJR Nabisco's European biscuit operations and the $1.6bn takeover, in partnership with the Agnelli group, of the Galbani cheese company in Italy.

BSN will initially take a stake of 15 per cent from the Birkel family, increasing to a position of total control, subject to the approval of the West German monopoly authorities.

The acquisition of Birkel, for which no price was disclosed, will place BSN first in pasta products in West Germany.

Birkel last year ranked second with a market share of 23.5 per cent, but the combination with Sonnen-Bassermann, number three in the pasta market with a share of 6.3 per cent, will place it ahead of the market leader Drei Glocken, which had 25.6 per cent of the market last year.

BSN is already leader in pasta in its home French market, and ranks second in Italy, Belgium and Spain, following the acquisition in May of La Familia. BSN officials said the German market had grown by 3 per cent a year over the last four years and had strong potential: West Germans eat only 4.4kg a year of pasta, compared with 6.5kg in France and 25kg in Italy.

Birkel, which had sales of DM250m ($131m) and has three factories, is also West German leader in spaghetti sauces and produces breadcrumbs.

Sonnen-Bassermann, BSN's other West German subsidiary in the grocery products sector, had sales of DM170m mainly in soups, prepared foods, jams and pasta.

Stora forecasts SKr4bn profit

By Robert Taylor in Stockholm

STORA, Europe's biggest pulp and paper concern, yesterday reported a 20 per cent increase in profits after financial items for the first eight months of 1989. But it revealed that rising interest rates and lower activity in some operations had dampened business levels in the second four months.

Profits rose to SKr2.44bn ($373m) from SKr2.03bn during the eight months, but the actual rate of advance slowed down markedly over the period. Profits rose by SKr1.43bn in the first four months and by SKr1.01bn in the second four months.

Sales went up over the eight months by 7 per cent to SKr27.17bn from SKr25.48bn. Stora predicted profits for the whole of 1989 would amount to around SKr4bn, compared with SKr3.7bn for last year.

The company said demand for forestry industry products remained favourable in western Europe and while the demand for pulp continued to develop well, as it had done since 1986, demand for newsprint was increasing. Through the Papyrus subsidiary, Stora said it had strengthened its position in the European fine papers market, while trends remained favourable in the paper and board products area.

Stora said higher interest rates in Europe had brought a slowdown in the building industry so demand for construction and interior products had "weakened substantially," particularly in the UK, Denmark and Norway. But the company added that the still buoyant Swedish, Finnish and German markets had ensured the maintenance of high profitability in the door and kitchen equipment businesses.

The company's Swedish Match unit reported improved operating results in lighters and shaving products, but weakening demand for flooring products due to intense price competition, environmental pressures and a falling US market.

Completions lift Spie-Batignoles

SPIE-BATIGNOLLES, the French construction and public works group, says group net profit for the first half of 1989 rose by 61 per cent to FFr92.6m ($14.3m) from FFr57.5m a year earlier, writes *Our Financial Staff.*

The company predicted year-end earnings would show a significant increase on 1988, but warned against reading too much into the interim performance. The first half gains mostly stemmed from a rush of contract completions, it said.

Procordia up 19%

By Robert Taylor in Stockholm

PROCORDIA, the Swedish state-controlled holding company, enjoyed a 19 per cent increase in profits (after financial items) in the first eight months of 1989 with a rise to SKr1.52bn ($232m) from SKr1.28bn.

The company said its profits performance for the whole of 1989 would be higher than last year, when they reached SKr1.98bn. Revenue for the eight months rose to SKr13.23bn.

The best results came in the beer and soft drinks division with a profit of SKr290m, and sales of SKr2.87bn, compared with SKr272m for profits and SKr2.36bn in sales for the first eight months of 1988.

There were increases in the profits and sales of the food and tobacco business, though less than the rise of a year ago. Operating profit in pharmaceuticals increased by 37 per cent to SKr540m compared with SKr392m for the same period last year, while sales rose to SKr2.72bn from SKr1.94bn.

Hispano to have seat on German bank board

By Tom Burns in Madrid

BANCO HISPANO Americano, the fourth-ranked Spanish commercial bank, will appoint a director to the board of Commerzbank, the big West German bank, following the acquisition of a 5 per cent shareholding.

The links are expected to heighten the co-operation between the two institutions, Hispano said yesterday, as the share deal between the two banks was formally completed.

The deal fulfils a share swap agreement that dates back to 1983, when Commerzbank purchased 10 per cent of Hispano Americano. But the deal has now been broadened, Hispano Americano said. It allows the two banks to provide similar financial services for each other's clients in their respective countries.

Hispano Americano's deal with Commerzbank, which is ranked third among German banks, mirrors that of rival bank, Santander, which last year swapped 5 per cent of its shares with the Royal Bank of Scotland, and subsequently increased its holding in the British bank to 10 per cent.

Like Santander, Hispano Americano has opted for transnational partnerships within Europe in preference to building up its domestic banking base through mergers.

Commerzbank has had one its members on Hispano Americano's board since 1984. Their relationship is founded on joint participation in Europartners, a loose banking consortium to which Crédit Lyonnais and Banco di Credito di Roma also belong.

Hispano also announced its third-quarter results yesterday. They showed pre-tax profits of Pta42.6bn ($352m), a 32 per cent increase on the comparable nine months of 1988.

Correction

Vallourec

Vallourec sales rose by 21 per cent to FFr4.35bn ($674m) in the first half of 1989. On October 10 this figure was wrongly described as the first half profit.

Serono high on drug of success

Peter Marsh on a fast-growing European pharmaceutical company

It is the end of a hard day at Mr Fabio Bertarelli's offices close to Lake Geneva in Switzerland.

Mr Bertarelli, 65, is tired and – as he probably would be the first to admit – does not look as though he is worth $650m.

Mr Bertarelli is chief executive and majority owner of Ares-Serono, a medium-sized but fast-growing pharmaceutical company with a capitalisation of about $1bn and with sales this year expected to be about $500m.

The Italian-born executive, who owns 65 per cent of Serono, admits he is thinking of retiring, although he firmly comes down against saying when this will be.

"Having an old man telling people what to do is not a good thing for the company," he says.

Serono is quoted on Swiss stock exchanges. Mr Bertarelli, who in the past decade has established Serono as a specialist in a number of key parts of the drugs industry, says he regularly receives expressions of interest from outsiders about buying his stake.

"But for the forseeable future nothing is going to change," he says.

The stability of ownership, says Mr Bertarelli, has been good for Serono.

He points out that by firm planning the company has been able to attract a succession of able managers and grow rapidly.

Sales have grown more than tenfold in the past decade and quintupled since 1983. Profits growth, too, has been healthy. Net income in 1988 was $48m, 37 per cent up on the year before. Most of the growth has been in Europe, which accounts for 70 per cent of Serono's sales.

Fabio Bertarelli: provides strategic leadership

Serono is especially strong in Italy – where it had its head office until 1975 when it was moved to Geneva. Italy accounts for nearly half of revenues while Spain is the next most important European country for Serono, providing a tenth of sales.

Mr John Castello, an aimiable American, currently chief operating officer is likely to take over at the top of the company when Mr Bertarelli bows out. Mr Castello, 53, joined Serono in 1986 from a career in other healthcare companies including Britain's Amersham, and Abbott of the US.

While Mr Bertarelli provides the strategic leadership, Mr Castello is responsible for much of the day-to-day running of Serono, which gains 85 per cent of its sales through prescription medicines and most of the rest from diagnostic products.

Mr Castello spends a third of his time in Geneva and another third in Boston in the US – where Serono has, since 1983, had another large set of offices which it calls its operating centre.This was set up as a policy to focus on the US healthcare market, which currently provides only one-fifth of the company's revenues.

Serono breaks down its business into several areas, one of which is infertility drugs. It claims to account for about two-thirds of the $200m-a-year world market in these products. Important raw materials come from hormones and other natural organisms collected from human urine.

As part of its efforts in the fertility area, the company last year bought two of the world's leading fertility-treatment centres, both in the UK.

The purchase of the Hallam Medical Centre in London and Bourn Hall near Cambridge was to help Serono learn more about the needs of physicians in the general area of fertility drugs, says Mr Bertarelli. The company is spending about £15m on an investment programme to improve both centres.

In a second broad area of therapy, Serono gains sales of some $50m a year through a genetically-engineered form of human-growth hormone – a product used to combat growth disorders, especially in children.

Serono's product accounts for about a sixth of world growth-hormone sales, with other leaders including Eli Lilly and Genentech of the US, Novo-Nordisk of Norway and Sweden's KabiVitrum.

Serono has, in recent years, moved into genetic engineering as a way of making some products by a more sophisticated and possibly more efficient route, rather than relying on producing them from natural materials. In May it started selling a genetically-engineered form of growth hormone which Celltech, a UK biotechnology company, makes under contract. Serono is also anxious to use other biotechnology methods to produce new forms of fertility treatments.

Cancer drugs and other medicines aimed at disorders of the body's immune system provide a third group of products for Serono. These bring revenues of some $150m a year. It is also trying to expand in the diagnostics area, selling a series of systems and reagents which technicians in hospitals and laboratories use for monitoring patients' illnesses.

According to Mr Castello, the company has been able to grow fast by concentrating its energies on specific parts of the drugs industry, where demand is high but where the market may be too small for some of the large companies

He reckons the growth can continue, mainly through internal expansion rather than purchases of other companies. "I believe we are on course for a turnover of about $1.5bn by 1995," he says.

In the past, Serono has resisted large acquisitions, though it has made a number of relatively small purchases, as in the takeover last year of Baker Instruments, a US diagnostics group. This helped the group in its move to build up in the US.

What does Mr Bertarelli think of the chain of mergers in the drugs industry which has greatly increased the muscle of some of his rivals ?

"I don't believe this will make much difference to us. In my view the dinosaurs always die. In many instances when big companies join together they have to assemble large teams and this makes them lose their entrepreneurial flair."

Intel and Alliance set i860 chip standard

By Alan Cane

INTEL CORPORATION, the US-based leader in microprocessors for personal computers, yesterday staked a claim to a similar position in the fast-growing market for scientific work stations.

In a joint announcement with Alliance Computer Systems, a US manufacturer of high performance machines described as mini minisupercomputers, it set out a standard or set of rules for companies developing software for Intel's i860 microprocessor, the most powerful semiconductor chip available.

The i860, with more than 1m transistors embedded in its circuits, is reckoned to be faster than a high performance chip from Sun Microsystems or MIPS, the present leaders in the work stations market place.

The standard that Intel and Alliance announced yesterday is designed to do for work stations what MSDOS did for the IBM compatible personal computer market, in that it should stipulate the creation of software from a multiplicity of vendors which will run on i860 systems.

Intel also announced that it was taking a $3m stake in Alliance, roughly 4 per cent of the company.

INTERNATIONAL COMPANIES AND FINANCE

IBM earnings tumble 30% in third quarter

By Martin Dickson in New York

INTERNATIONAL Business Machines, which warned last month of a substantial drop in earnings, yesterday announced a near 30 per cent fall in third-quarter net profits.

The world's biggest computer company produced net profits of $877m or $1.51 a share for the three months to end-September, against $1.25bn or $2.10 in 1988.

The earnings per share figures were at the low end of Wall Street expectations, which had been cut to between $1.40 and $1.80 from $2.10 to $2.30 in the wake of September's warning.

Mr John Akers, chairman, reiterated the explanation he gave last month for the disappointing results: the introduction of new products, an increase in leasing activity by customers, and the strength of the US dollar.

But he added that demand for IBM products and services continued to be good worldwide. Third-quarter shipments were up, while revenues rose 4.3 per cent to $14.3bn. "We do not see anything in the fundamentals of our business that would cause us to change our strategy of investing for profitable growth," Mr Akers said.

"Continuing improvements to our product line, and the additional revenue and profit that will be realised from increasing IBM lease activity, make us confident about the long-term prospects for our business."

Revenue for the first nine months totalled $42.2bn, up 6.5 per cent, with net earnings of $3.2bn or $5.43 a share, compared with $3.5bn or $5.83 in 1988.

Sales revenue in the period totalled $27.24bn, up 6 per cent compared with $25.69bn, with support services up 5.2 per cent at $7.1bn ($6.8bn), software up 9.4 per cent at $5.78bn ($5.29bn), and rentals and financing up 9.3 per cent at $2.08bn ($1.91bn).

Third-quarter sales revenue improved by 1.6 per cent from $9.06bn to $9.20bn, with support services up 7 per cent at $2.36bn, software up 8.6 per cent to $1.98bn and rentals and financing up 20.6 per cent to $758m.

JP Morgan $1.8bn in the red

By Martin Dickson

J.P. MORGAN, the fourth largest US commercial bank, reports a third-quarter net loss of $1.8bn equal to $9.92 a share — the result of a $2bn addition to its provision for possible Third World loan losses which was announced last month.

The loss at the nine-month stage was $1.4bn or $7.87 a share.

The latest figures compared with net income of $234m or $1.25 in the 1988 third quarter and $744m or $4 in the first nine months of that year.

The $2bn provision will potentially allow Morgan to write off 100 per cent of its medium and long-term exposure to the Third World, and will cover some 68 per cent of total outstandings to Third World countries restructuring their debts.

The adjustment means stockholders' equity at the end of the September quarter was reduced to $4.2bn, 4.9 per cent of assets, compared to $6.1bn at the end of June, or 6.1 per cent of assets.

The bank said net interest income in the third quarter was $254m, compared with $347m in the same period of last year, while non-interest income of $414m was up $45m from $369m in 1988.

This reflected higher other income, mainly fees and commissions, which included increased corporate finance fees, and gains from the sale of investment securities.

However, these increases were partly offset by lower trading-related revenues. Expenses in the third quarter totalled $496m, up from $429m in the same period of 1988.

The bank said in the third quarter it had reduced its outstandings to Third World restructuring countries by about $500m to $4bn through the sale or swap of loans. This had resulted in a $330m charge to its allowance for credit losses.

GM plans to close five assembly plants

By Anatole Kaletsky in New York

GENERAL MOTORS plans to close up to five of its 17 major assembly plants in North America in an attempt to adjust its capacity to long-term market demand.

The GM decisions, disclosed over the weekend by officials of the United Auto Workers, threaten to aggravate the company's industrial relations, which have been structured in the past few years around a series of long-term job guarantees.

In their contract negotiations two years ago, UAW officials persuaded their members to accept relative modest pay increases in exchange for these job commitments.

Although GM made no formal announcement about its plans, it told the 5,500 workers at its van assembly plants in Lordstown, Ohio and Scarborough, Ontario that all van production would be consolidated in a larger plant at Flint, Michigan, after 1991.

It also told union officials that three other plants with uncertain futures were no longer being considered to build a series of new model Chevrolet and Pontiac cars.

According to the UAW, the company's statement implied that the Pontiac plant, which is on temporary lay-off, would never be reopened and that two other plants, in Oklahoma City and Van Nuys, California, would have no products to build after 1993.

General Motors has made clear for the past two years that it intended to continue closing plants to get its capacity utilisation close to 100 per cent by the mid-1990s, instead of the current 80 per cent.

However, the rate of plant closures has been accelerated by the company's failure to regain lost market share and by the rapid build up of Japanese car production in the US.

Net income declines at NCR

By Our Financial Staff

NCR, the US computer maker which yesterday unveiled a decline in third-quarter profits, warned that the likely affect of the stronger US dollar on fourth-quarter results would make it difficult to show net income and revenue growth for the full year.

"This, coupled with the increase in competitive pressures on gross margins experienced in the third quarter, will make it difficult to surpass the record levels set in the full year 1988," said Mr Charles Exley, NCR chairman. Net income for 1988 was $439.3m or $5.33 per share.

In the third quarter, net income fell to $93.1m or $1.23 a share, from $103.1m or $1.26 last year, on revenues of $1.39bn against $1.41bn.

Orders set a third-quarter record, and in the US "showed good gains while orders overseas posted substantial gains, paced by the Pacific Group," Mr Exley said.

Net income for the nine-month period fell to $264.6m or $3.40, from $289.7m of $3.49. Revenues were $4.17bn, compared with $4.19bn.

Warner Communications files suit against Sony

By Martin Dickson

A LEGAL tug of war has erupted between Warner Communications and Sony, the Japanese electronics group which is paying $3.4bn to acquire Columbia Pictures, over the services of Mr Peter Guber and Mr Jon Peters, the film producers.

Warner has filed a lawsuit in the Los Angeles Superior Court against Sony alleging it induced Mr Guber and Mr Peters — producers of the hit movie Batman — to breach a five-year exclusive agreement with Warner in order to become chief executives of Columbia.

It seeks damages of $1bn, punitive damages and an injunction preventing Mr Guber and Mr Peters from breaching their commitments to Warner.

Sony, which has agreed separately to pay $200m for Guber-Peters Entertainment to get the services of its two top executives, has promptly counter-sued Warner. Sony charges it with attempting to interfere in the acquisition of the two companies and falsely asserting that the Guber Peters agreement with Warner prevents the duo from taking up the posts at Columbia.

● Guber-Peters Entertainment reported first-quarter net profit of $5.6m, against losses last time of $8.3m. Revenues were $10.9m against $4.6m.

Pepperell in $600m sale

BIDERMANN Industries USA, principal offshoot of Paris-based Bidermann group, is buying three of the four main divisions of Cluett Peabody from West Point-Pepperell, the US textiles group, for about $600m, reports Reuter.

Cluett Peabody makes men's dress and sport shirts and other sportswear, principally sold under the Arrow brand.

Rand Mines group improves

By Jim Jones in Johannesburg

ESCAPING the effects of a stagnant gold price and accelerating cost increases is becoming increasingly problematic for South Africa's gold mines, as reflected again yesterday in results from those managed by the Rand Mines group.

At the start of this year mines in the rival Gencor group cut workforces and concentrated mining operations in richer ore zones. During the September quarter they were followed by two of Rand Mines' four mines.

Harmony, the largest of the group's mines, cut its labour force but raised its milling rate and lifted its gold recovery grade fractionally. The outcome was a small rise in the taxed profit after taking into account retrenchment payments.

Durban Deep, the smallest and most precarious of the group's mines, followed suit though its milling rate increase was due to greater processing of low-grade sand residue dumps accumulated from decades of mining operations. The better performance was not enough to restore Durban Deep to profits, but the operating loss was nevertheless reduced.

East Rand Proprietary Mines (ERPM) has been reducing employee numbers as repeated operating losses threatened completion of the mine's development programme. The new Far East Vertical (FEV) section, a large area of comparatively rich virgin ore, has started production following the commissioning of its sub-vertical shaft.

As a result the mine's underground production and recovery grade rose in the September quarter, according to Mr Clive Knobbs, the chairman. He expects further production improvements during the next few quarters.

Blyvooruitzicht overcame a further grade decline and increased gold production fractionally by raising its milling rate.

Barbrook, a new but small mine being developed in the eastern Transvaal, has commissioned its ore processing plant and is due to produce its first gold shortly.

RAND MINES GOLD QUARTERLIES

	Gold produced (kg) Sep 89	Gold produced (kg) June 89	After-tax profit (Rm) Sep 89	After-tax profit (Rm) June 89	Earnings per share (cents) Sep 89	Earnings per share (cents) June 89
Blyvoor	2,401	2,387	3.6	1.2	6.5	(13.2)
Durban Deep	1,254	1,252	(4.5)	(13.9)	(242.1)	(630.5)
ERPM	2,196	1,830	(4.0)	(17.3)	(67.5)	(153.2)
Harmony	7,586	7,054	9.8	9.1	15.6	26.1

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

Softer metal prices hit Alcan Aluminium

By Robert Gibbens in Montreal

SOFTER metal prices hit Alcan Aluminium earnings in the third quarter, but in the first nine months the Canadian group was still ahead compared with a year earlier.

Posted North American ingot prices slipped from a high of US$1.16 a pound early this year to 82 cents in October, though Alcan has just posted 84 cents for November despite rising world inventories in producers' hands. Alcan said it was "just following the market".

Third-quarter net income was US$180m or 77 cents a share, down from $2.8m or $1.07 a year earlier on sales of $2.2bn, against $2.18bn.

Nine-month earnings were US$693m or $2.98 compared with $676m or $2.76 a year ago, on revenues ahead at $6.9bn from $6.3bn.

Shipments of ingot and fabricated products totalled 1,717,000 tonnes metric in the nine months, little changed from a year earlier. Ingot was lower and fabricated product higher.

INTERNATIONAL COMPANIES AND FINANCE

Bond sells BIG stake for $373.8m

By Chris Sherwell in Sydney

MR ALAN BOND, the beleaguered Australian entrepreneur, finally abandoned his dream of becoming a world gold baron yesterday by selling out completely from one of his principal creations, Bond International Gold (BIG).

Announcements in Perth and Toronto s aid LAC Minerals, the large Canadian resources group, had paid US$373.8m for Mr Bond's 65 per cent stake in BIG, held through his private family company, Dallhold Investments (58 per cent), and the listed Bell Resources (7 per cent).

The price of US$10 per share was at a significant premium to recent market levels of US$8.75, and ahead of the latest worldwide share price correction. But it was below the US$11.50 level at which the group was listed in New York last year to raise US$308m in the world's biggest gold flotation.

Mr Bond's disposal follows another milestone in August in which he ended his involvement in the "Super Pit" at Kalgoorlie by selling down his stake in Gold Mines of Kalgoorlie to Mr Robert de Crespigny's Poseidon group.

Mr Michael Cross, Dallhold's *managing director, admitted* yesterday that the decision to sell out of BIG was "a particularly difficult one." But he said it was made to increase Dallhold's financial strength "in the face of sustained high interest rates in Australia," adding that it represented "a further consolidation" of Mr Bond's business interests.

Mr Bond had originally planned to sell down control of BIG to Corona, another Canadian company. In June, Corona acquired 7 per cent of BIG from FAI Insurances for US$7.25 per share, together with an option on another 20 per cent. But their plans fell through and Corona exercised another option to put its stake back to Bell Resources.

Coincidentally, the new controlling shareholder of BIG, LAC Minerals, was recently involved in a court dispute with Corona over ownership of a mine in Ontario. Corona won, but was obliged to pay LAC C$210m (US$179m), leaving it flush with cash.

LAC operates numerous gold *and* zinc mines in North and South America and as of last week had a market capitalisation of around US$930m. Mr Peter Allen, LAC's chief executive, yesterday praised BIG's profitable gold mines and prospective assets, saying it was currently producing about 600,000 ounces of gold, 32,000 tonnes of copper and 1.5m ounces of silver annually.

The deal is due to be completed by November 21, subject to regulatory approvals "and satisfaction of other customary closing conditions," Mr Allen said. Dallhold will receive US$333.3m and Bell Resources US$40.5m, with the latter making a profit of US$10m.

Other recent resources-related sales by Mr Bond have included gold and nickel interests held through the listed Mid-East Minerals and its subsidiary Metals Exploration, Bell Resources' coal interests in Queensland and the Harriet field oil interest. But he is apparently aiming to hang on to his profitable Queensland nickel interests, held through *Dallhold.*

The sales are all part of an informal but ongoing process of liquidation in Mr Bond's empire. Tomorrow tenders close for the sale of Chifley Square, a property site in the heart of Sudney's central business district. Formal details are also due this week of the complex A$2.5bn (US$1.9bn) brewing venture with Lion Nathan of New Zealand.

● Poseidon said yesterday it would bid 40 cents a share for the 51 per cent of Poseidon Exploration it did not already own, Reuter adds.

The offer values the company at A$67.6m and compares with a closing market price of 34 cents. Mr de Crespigny said the move was logical for Poseidon. "All successful mining companies have their own sound exploration businesses," he said.

Japanese stores ahead halfway

By Stefan Wagstyl in Tokyo

THREE JAPANESE store groups yesterday reported solid sales increases, reflecting the sustained strength of consumer spending.

They were announcing interim results for the period to the end of August. Sales at Takashimaya, the oldest company, rose 8.6 per cent to Y310bn ($2.16bn), generating *an increase of 11.3 per cent in* pre-tax profit to Y9.2bn. The company forecast a further increase in sales and profits for the full year to Y645bn from Y601bn and Y18.9bn from Y18.1bn respectively.

Matsuzakaya increased sales by 7 per cent to Y211bn and pre-tax profits by 12 per cent to Y5.7bn. It forecast sales of Y440bn and profits of Y13.1bn *for the year to March.*

Matsuya posted a 7.3 per cent increase in sales to Y49.4bn and a 48.6 per cent jump in pre-tax profits to Y930m. It forecast sales of Y102bn and profits of Y1.5bn for the full year.

All three companies have been regarded as potential bid targets in various merger schemes put forward for the *retail distribution* industry.

Nintendo raises profits 24% to Y69bn

NINTENDO, maker of 90 per cent of the video games played in Japan, yesterday reported a 24 per cent increase in consolidated annual pre-tax profits to Y69.5bn ($485m), writes Stefan Wagstyl.

Sales were 43 per cent higher in the year to the end of August at Y391.2bn, buoyed by strong demand for pocket-sized family computer games.

Nintendo expects further strong growth in demand in both Japan and the US. For the seven months to the end of March, Nintendo is forecasting sales of Y210bn and pre-tax profits of Y47bn. It is changing its accounting period.

Unlike some US companies, which failed to capitalise on early successes in video games, Nintendo has been able to bring out successive generations of popular games. Its latest Super Mario Brothers 3 is so successful that Japanese parents complain their children neglect homework.

Investor group bids for Hooker property assets

By Our Financial Staff

A CONSORTIUM of investors has made a $409m cash offer to buy most of the property assets held by L.J. Hooker, the US arm of the failed Hooker Corporation of Australia.

The bidding group has been brought together by Hoare *Govett Corporate Finance, a* London-based offshoot of Security Pacific, the West Coast US bank.

It includes Shidler Group and Simpson Organisation, two US property investment companies, the latter of which is headed by Mr Boyd Simpson, a former Hooker executive.

Through L.J. Hooker the Australian group also owns B. Altman and Bonwit Teller, two stores chains. The parent collapsed this summer.

TNT airborne, en route to 1992

Chris Sherwell on a transport group's novel air freight service

When TNT, the Australian-based international transport group headed by Sir Peter Abeles, decided to set up an overnight air express freight service throughout Europe, many voiced doubts about its chances of success.

Was market demand sufficient, or growing fast enough, to justify such an ambitious venture? Would its establishment not be prohibitively expensive? Two years after the novel service began, some answers are emerging.

Mr Alan Watson, head of TNT Express Europe and based in the Netherlands, says the business has performed "well up to expectations," has achieved "excellent" market acceptance and is now breaking even, a year ahead of original projections.

But according to Mr Tim Ryan, transport analyst at stockbroker James Capel, costs of the air network investment were a hefty A$20m (US$15.4m) in the year to June alone. He says TNT has had to buy revenues through acquisition and profitability remains low.

Nevertheless, he agrees the air freight service, which involves a fleet of BAe 146 aircraft using a network of airports, makes a formidable combination with TNT's European road freight business.

TNT's eyes are fixed firmly on 1992. Its strategy is to dominate the tough and highly segmented European freight industry by offering a comprehensive range of services between and within all European countries.

TNT is not the only Australian company involved in Europe-wide freight. Brambles, another well-known transport group, is carving a separate niche in rail transport through Groupe CAIB, its rail wagon business.

But where Brambles has been cautious, TNT has been bold – starting with the spectacular US$1.5bn, 72-aircraft deal in June 1987 to buy five years' worth of British Aerospace production of the BAe 146 Quiet Trader.

That marked TNT's first tangible public commitment to air freight. The aircraft is not only quiet, it is economical and has a short take-off and landing capability. It can therefore use European airports during overnight curfew restrictions.

Using its initial purchase of five Quiet Traders, TNT launched its Overnite Air Express business. It now has 11 of the aircraft in operation out of a total of 16.

In the past year TNT has also bought KLM Airlines' XP Parcel Express business for A$78m and has linked the air freight business with TNT Ipec, its road freight business. Together they are now called TNT Express Europe.

With its integrated operation, TNT says it can now accept any shipment regardless of size or weight, and can offer what it calls "1-2-3-4 day" delivery options to and from any country in Europe.

On the air freight side, its aircraft fly nightly six days a week into and out of 31 airports throughout Europe – in every country bar the Netherlands and Belgium, which are served by road from the group's central air-hub at Cologne.

Sir Peter Abeles: met with scepticism

Services to the Soviet Union – Moscow, Leningrad and Kiev – began in September. The group formed a joint venture air freight company with Malev, the state-owned Hungarian airline, a year ago, and agreements with other Eastern bloc countries are expected.

Meanwhile, the aircraft are available for charter work during daylight hours and do increasing volumes of work for various multinational companies, offering third-party distribution. On the road freight side the group operates through another 290 depots in 17 countries. "You can't differentiate the air and road services," says Mr Watson. "They are totally integrated."

The comprehensive Europe-wide service offered by TNT appears unrivalled. But a range of groups are in the European *road haulage* business and in the lucrative courier mail and small parcel business.

How well TNT Express Europe is doing financially is difficult to gauge. It has not had to buy the aircraft – they are handled by TNT International Aviation Services out of the UK, and flown under contract with seven different airlines around Europe to circumvent traffic rights problems.

Instead, TNT Express Europe is simply billed weekly for the use of the aircraft. Mr Watson says the group has managed to absorb these expenses and other start-up costs without going into loss.

According to TNT's latest annual report, pre-tax operating profit from the group's overall European operations, which includes its profitable UK activities, fell sharply in the year ended June to A$79m, down from the previous year's A$98m, even though revenues climbed to A$1.33bn from A$1.12bn.

According to James Capel's Mr Ryan, the fall reflects the costs of setting up the air network, while the acquisition of KLM's parcel *business explains the* revenue jump. He says that has meant greater utilisation of the aircraft, but adds that "profitability remains low, with much of the revenue being of a low quality."

What is not in doubt is that TNT has established a substantial business, enhancing what has become an irreversible presence in Europe. The group's assets there now amount to A$1.38bn – triple the A$434m figure of two years *ago. That represents more than* 35 per cent of TNT's worldwide total, double the proportion of two years ago.

UK COMPANY NEWS

Grouse helps Highland advance

By Lisa Wood

HIGHLAND DISTILLERIES, maker of the Famous Grouse, the second largest selling Scotch in the UK, yesterday announced pre-tax profits of £19.5m for the year ended August 31, an increase of 37 per cent on last year.

The results, at the top end of City forecasts, reflected particularly strong growth in volumes of Scotch sold in the off-licence trade in England and Wales where Grouse has an 8 per cent share of the total whisky market.

Turnover totalled £130.63m, an increase of 18 per cent on the previous year's £121.98m. Highland Distilleries said that UK sales of the Famous Grouse increased by 3 per cent in a marketplace which fell by 2 per cent.

Export sales of Grouse and other brands including Highland Park malt whisky, increased by 18 per cent to over £12m with the group strengthening its distribution arrangements in a number of markets last year including taking on Remy-Martin in Japan and France.

Highland said there had been a 40 per cent increase in the year for new whisky fillings from blenders because of the virtual elimination of surplus whisky stocks in the industry.

"The company's distilleries are now operating at a high level of output to meet this addition demand and the requirements of our own brands." Highland stated.

Earnings per share were 10.3p, against 7.5p last time.

The directors propose a final dividend of 2.9p, making a total of 3.85p (2.82p) for the year.

● COMMENT

The proposition that Britons are drinking less but better rings true in the case of Highland Distilleries whose Famous Grouse, a premium- priced blended Scotch continues to take market share in the UK. Here blends at the bottom end of the market are being squeezed as the price differential between the top and the lower end of the market narrows because of the near elimination of surplus stocks in the industry which fed the cheap brands. The improved health of the whisky industry – with world consumption recovering coupled with the demise of the whisky loch – is also feeding demand for new whisky fillings from Highland. Next month the group, which increased new whisky supplies by 13 per cent last year, is opening two new stills at Glen Rothes. Analysts, who expect new distribution agreement to assist sales growth overseas, are forecasting a pre-tax profit of £22.6m for the full year giving a prospective multiple of 17.7.

Taxi launch stunts Manganese growth

By Nikki Tait

MANGANESE BRONZE, the taxi cab and metal products manufacturer, yesterday announced pre-tax profits up from £5.22m to £5.63m in the year to end-July.

The increase was scored on sales of £67.68m (£58.66m).

The pre-tax line would have been higher but for launch costs of £770,000 for the new Fairway taxi. Manganese Bronze said it was extremely optimistic about prospects for the new range of vehicles, which it claims have been well received by the trade. It said that its production of taxis had now reached an all-time high of 65 vehicles a week, compared with about 50 a year ago.

Ahead of the launch costs, the vehicles division saw a pre-tax profit of £3.07m (£2.6m) on sales of £38.54m (£33.66m)

In the powder metals business, Manganese said demand remained strong, with a new factory being built in Ipswich to meet increased production. Pre-tax profits amounted to £1.72m (£1.51m) on sales of £14.06m (£13.07m).

Profits improved even more sharply in the foundries side, rising from £1.1m to £1.61m, on turnover of £15.08m (£11.93m).

Alan Harper

Jamie Borwick, managing director, seen at the wheel of one of his company's taxis

The aluminium foundry increased sales by about 50 per cent, and the company said it had hopes for "great expansion" in the current year from the railway doors business.

There was a net interest contribution of £2,000 (£242,000 charge), and earnings per share rose from 21.84p to 23.14p. The proposed final dividend is 4.5p, making a total of 7.5p (6p) for the year.

● COMMENT

It was hardly the best day to offer the market figures of any kind and, in the volatile climate, little can be sensibly read into the 23p fall in Manganese's share price to 230p. Looking at the fundamentals of the business, the company says its new Fairway cab is scoring with the better-intentioned local authorities, who seem to welcome its wheelchair facility. Ten new regional markets have been added this year, and Manganese sees no reason for this "one-a-month" trend to run out of steam. At the moment, demand for new cabs does not appear to be affected by high interest rates, and as long as production of the rival Metrocab remains at a halt, Manganese has the taxi market to itself. The other businesses would obviously face some pressure if recession takes hold, particularly in the automotive industry, but Manganese is fairly sanguine at present. The current year will also benefit from the absence of launch costs although – at the earnings level – this will be partially offset by a rising tax charge. Some of the select band of analysts who follow the company had other worries yesterday, although Smith New Court, the company's own brokers, were suggesting profits of perhaps £6.8m in 1989-90. Others are more cautious, but even on the SNC figure the prospective multiple is nine times. With CH Industrials holding a 22 per cent stake, bid speculation will never be too far away. But there are strong family holdings and, barring any real takeover action, there seems little reason for the price to rebound strongly.

Edinburgh Trust assets rise

Net asset value of the Edinburgh Investment Trust rose 15.1 per cent to 267.3p over the six months to September 30. Total assets rose from £743.1m at March 31 to £827.8 at end September.

Pre-tax profits emerged at £17.99m (£14.05m) and after tax of £5.06m (£3.91m) net earnings per share came out at 4.49p (3.52p). The interim dividend is increased to 2.5p (2.15p) and a total dividend of not less than 6.3p (5.4p plus a special centenary dividend of 0.7p) is forecast.

The change in the geographical split of equity holdings since March 31 shows that UK exposure was reduced from 71 per cent to 61 per cent; North American exposure was increased 14 per cent from 12 per cent; Japan increased from 8 to 13 per cent and Europe's exposure went up from 7 to 10 per cent.

BAe and Thomson plan defence consortium

By David White, Defence Correspondent

BRITISH AEROSPACE and Thomson-CSF of France are considering bringing other international companies into a defence consortium based on their planned missile joint venture and their possible joint takeover of the troubled Ferranti International Signal.

The two companies, which yesterday announced officially their proposal to unite their missile and guidance system businesses, said the venture might attract other companies "to join in the formation of the world's largest defence contractor".

Although the missile venture would be Europe's largest guided weapons concern, it would by itself fall well short of such an aim. The top 10 US defence contractors have military sales between twice and four times the venture's £1.4bn combined annual sales.

BAe said further links might be contemplated after the planned joint company, Eurodynamics, had been established.

The state-controlled Thomson group meanwhile made it clear that it was not currently contemplating further ties with BAe beyond the scope of the missile project, which was the focus of discussions over the past two years.

The two companies said their plan reflected the levelling-off of defence budgets and would seek to "increase efficiency through rationalisation". However, BAe said there should be opportunities for increased employment as a result of an expanded product portfolio and wider market access.

The 50/50 venture would have a management drawn largely from the parent companies but would enjoy "a significant degree of autonomy".

The companies said there were still "one or two matters to be resolved" before their boards could confirm the joint venture arrangements, including obtaining approval from the respective governments.

Dolphin Intl buy

Dolphin International (media services) has acquired a portfolio of outdoor advertising panels from ADG Communications for £515,000 cash. The assets being purchased – 200 panels mainly located in London and the south of England – are expected to generate pre-tax profits of over £140,000 in the first year.

Yorkshire Bank finally to be auctioned by its four owners

By David Lascelles, Banking Editor

YORKSHIRE BANK, the regional bank owned by four clearing banks, was formally put on the block yesterday, heralding one of the most significant bank auctions in the UK for some time.

National Westminster Bank (which owns 40 per cent), Barclays (32 per cent), Lloyds Bank (20 per cent) and the Royal Bank of Scotland (8 per cent) finally confirmed their long-expected decision to sell the bank, which ranks as the most profitable in the UK.

Mr Bill Barron, NatWest's general manager in charge of affiliates and associate companies, said yesterday that the clearing banks had received many approaches from potential buyers all over the world. "We must now see how serious they are," he said.

The sale is being co-ordinated by County NatWest, the merchant banking arm of the NatWest group. The owners have compiled an information dossier which will be given to those who are considered substantial enough to be credible bidders.

The result of the auction will probably not be known before the turn of the year.

Mr Peter St George, a director of County, said that so far he had received between eight and 10 approaches, about half them through intermediaries such as merchant banks. Consequently it was not always possible to know who the interested party was.

The names most frequently mentioned include the National Australia Bank, Citibank and Deutsche Bank. However, Citibank and Deutsche Bank are believed now not to be interested. Although the sellers are not excluding a bidder from Japan, most large Japanese banks have said they are not ready to enter the European retail banking market.

Officials said yesterday they expected the winner to be a foreign bank partly because no UK institution had yet expressed any interest and partly because Yorkshire Bank itself thought that a foreign bank would give it greater scope to expand both in the UK market and abroad. The strongest expectation is that the buyer will be a European bank, keen to expand its network in anticipation of the single market in 1992.

Size could be a decisive factor since the winning bank will have to write off a large amount of goodwill in the acquisition. This is because of the substantial premium that Yorkshire is expected to command.

If Yorkshire was to sell for three times its net asset value of £300m – the sort of price being discussed in the market – there would be an implied write-off of £600m.

Last year, Yorkshire earned £100.4m before tax, and the indications are that this year's profits will rise by more than 13 per cent.

Mr Barron said that the owners had decided to sell because, while they would admit a new competitor into the market, there was a growing conflict between their own operations and Yorkshire's. The prospect of getting a good price was a further factor.

The banks have owned Yorkshire Bank since 1911 when they rescued it from a crisis. Since then, it has grown into an institution with 250 branches and £3.2bn of assets. Mr Graham Sunderland, its general manager, said the management welcomed the decision to sell and was "looking forward to new challenges and opportunities".

Trans World doubles to £1.57m

By John Ridding

TRANS WORLD Communications, the radio and leisure company, formerly known as Miss World Group, announced interim profits more than doubled from £679,000 to £1.57m pre-tax despite losses at its beauty contest business.

The decision by Thames Television not to renew its contract to screen the beauty pageant meant that there was a £250,000 swing in profits at the pre-tax line for the six months to the end of June. But this was more than offset by a first time contribution from Piccadilly Radio, the Manchester-based station acquired earlier this year.

Piccadilly contributed for only two and a half months but added about £350,000 to profits. There was also a £634,000 (£327,000) exceptional item resulting from the sale of Trans World's stake in Radio City, the Merseyside commercial radio station.

Mr Owen Oyston, Trans World's chief executive, said that Red Rose Group, the company's original radio operation, delivered significantly improved profits reflecting the continued growth of advertising revenues. The company is cautious about the outlook for advertising revenue growth but said that there had so far been no signs of a slowdown.

Mr Oyston described the prospects for the group as "excellent" and said that the interim downturn at Miss World would be substantially mitigated by the signing of an agreement with a Hong Kong television company to screen the event.

The Hong Kong deal is a "one-off" solution and the group hopes to attract a major international sponsor, possibly by changing the show's format. Transworld's agreement with Miss Universe not to broadcast in the US expires in 18 months raising the prospect of a contest between the two pageants.

During the period group turnover increased from £3.68m to £5.52m and earnings per share rose from 7.3p to 11.9p. The interim dividend is doubled to 4p, partly reflecting the move to greater balance between the half-way and final payments.

● COMMENT

Feminists will lose little sleep over the difficulties experienced by Miss World and neither should Trans World's investors. The group is now successfully focused on the lucrative business of commercial radio and a reduction in beauty show profits by about £300,000 this year as a result of Thames' change of heart will have little overall impact. Full year figures should show a strong second half bias, courtesy of a full contribution from Piccadilly and the seasonal advertising trend, and result in pre-tax profits of about £6m. Longer term it seems extremely unlikely that recent advertising growth rates can be maintained, although the relatively high proportion of local clients enjoyed by commercial radio does provide some protection. But any slowdown here should be more than offset by the increased revenues resulting from split frequency broadcasting and a continued turnaround at Piccadilly. After yesterday's sharp fall in the share price, from 541p to 500p, the shares are looking quite cheap on a prospective rating of 11.

Waterford fails to regain sparkle

By Jane Fuller and Kieran Cooke

WATERFORD WEDGWOOD, the crystal and china group, continued to disappoint with pre-tax losses of I£10.61m (£9.6m) for the six months to June 30.

The deficit came from the crystal division which incurred operating losses of I£12.94m (I£11.8m) on turnover of I£49.94m (I£38.43m).

A lot of water has passed under the bridge since last year's interim figures were announced, apparently showing an I£2.5m pre-tax profit.

In January flaws were discovered in the Waterford crystal division and Peat Marwick McLintock, the accountancy firm, was called in to investigate.

In April, it became clear that the Republic of Ireland operation remained in a dire state: operating losses of I£20.5m on crystal almost wiped out the group's pre-tax profits for 1988, leaving just I£2.7m on turnover of I£304.4m. Mr Paddy Hayes resigned as chairman and chief executive – two directors had already departed.

Yesterday's figures showed losses at the interim stage last year of I£5.83m. Most of the slide to I£10.61m was caused by a near I£4m increase in interest payments to I£8.81m. Gearing now stood at 160 per cent, according to Mr Paddy Byrne, the Wedgwood chief executive who succeeded Mr Hayes at group level.

The mitigating factors were that these figures referred to the period before the implementation of a recovery plan, and that demand for the products continued to grow. Sales rose by 27 per cent to I£168.1m (I£132.6m).

The loss per share was 3.4p, compared with a loss of 2.26p last time.

Mr Byrne said that slow progress had been made since the signing of an agreement with the Waterford workers in late June. This included a pay freeze until 1991 and a three-to-five year increase in pensionable ages, with the pension fund becoming contributory.

The skills bottleneck that had followed one third of the 3,000 workers taking advantage of the 1987 redundancy offer, had been eased by hiring back some of the blowers on contract and rearranging teams into three workers instead of four.

The net reduction in the workforce remained about 750, said Mr Byrne, who added that improvements in productivity would be slow to filter through.

He said that the growing debt arose from increases in working capital associated with rising sales and from unkind interest rates. Asked to comment on speculation that the group would make a rights issue to ease the debt burden, he would only say that the management was keeping all its options open.

On the brighter side he pointed out that the group had not so far felt any ill effects from the squeeze on UK consumer spending. It was not in any case heavily dependent on UK sales.

The UK side, with Wedgwood china as its flagship, accounted for two thirds of turnover. The china division's operating profit was I£8.01m on sales of I£82.25m. For earthenware the figures were I£3.26m on I£28.3m.

● COMMENT

The fortunes of Waterford Wedgwood, one of Ireland's top five companies and among the biggest employers in the country, continue to be dogged by the burden of its large debt.Dublin analysts had been expecting yesterday's interim results to come complete with a cash call so that the company could tackle its debt which, at the end of June, had risen to more than I£145m. However, given yesterday's uncertain market conditions any such call would probably have been unwise."The central problem for Waterford remains the debt. If that is not tackled then even under the new management team and with the new labour agreements, it is going to be a very long haul till the company regains some of its health," said one Dublin broker. Another alternative would be for a minority shareholder to inject some cash, but the crystal problems remain off-putting. The new management seems to be doing enough of the right things, but the jury is out on whether a turnround is being achieved. In a second-half oriented business, there is hope for some recovery to a loss of between I£2m and I£5m, and for a loss per share of 3p to 4p.

SHV lifts stake but Burmah not threatened

By Steven Butler

BURMAH OIL, the lubricants group, yesterday gave notice that SHV, the private Dutch group, had lifted its stake in the company to 6.7 per cent.

Mr James Alexander, a director in charge of corporate affairs, said that Burmah had a good cordial relationship with SHV, which has held about 4 per cent of Burmah shares for two years. "It is nothing to get excited about to the extent that they remain stable and supportive," he said.

The announcement confirmed stock market rumours in recent weeks that SHV has been buying shares, although it failed to give credence to stories that a deal was in the works that could eventually give Burmah control over Calor Gas, the bottled gas company. Burmah has made no secret of its interest in Calor, which is 44.5 per cent controlled by SHV.

SHV is understood in the past to have made broad suggestions to Burmah on how such a deal might work, although these have not been pursued seriously by the two companies. There is some suspicion that SHV's intention might be to set up a situation where it could acquire control of Burmah without going through the expense and trouble of a full-scale hostile bid.

Burmah stressed yesterday, however, that it saw no threat in SHV's current holding in Burmah.

Shares in Burmah closed 24p down at 613p.

Swiss financier increases stake in Unitech to 15.14%

By William Dullforce in Geneva

MR TITO Tettamanti has increased his holding in Unitech, the UK electronics components manufacturer, to 15.14 per cent and will continue buying its shares, a spokesman for the Lugano-based Swiss financier said yesterday.

Unitech's share price has been steadily boosted by speculation over a Swiss bid for the company since April, when a consortium of companies controlled by Mr Tettamanti acquired a 6.4 per cent stake.

The spokesman said Mr Tettamanti would not disclose his intentions in advance and his final plan would depend on British regulations and relations with other shareholders.

Elektrowatt, the holding company for a Swiss electrical power and industrial group, with turnover of SFr3.4bn (£1.33bn), has held a 29.9 per cent stake in Unitech since 1988.

Under the deal struck at that time with Mr Peter Curry, Unitech's chairman, Elektrowatt undertook not to bid or sell its shares until August 1990, unless a bid was made by a third party.

Last year Elektrowatt took over Alfred Neye Enatechnik, a West German electronic components distributor, from Unitech. Credit Suisse, one of the big three Swiss banks, is the largest shareholder in Elektrowatt with a 45.3 per cent stake.

Mr Tettamanti has been involved in several recent takeover battles, including one for Sulzer Brothers, Switzerland's third biggest engineering group, which ended in his selling a 30 per cent stake to Mr Werner Rey.

The vehicle for Mr Tettamanti's purchase of Unitech shares is Saurer Gruppe Holding, another Swiss engineering concern, of which he took control in March 1988. He has since been restructuring it into an industrial, investment and financial services group with the aim of making it effective on a European scale.

Six other companies, controlled by Saurer or by North Atlantic Group, Mr Tettamanti's financial concern in the Cayman Islands, have participated with Saurer in acquiring Unitech stock.

Saurer's annual shareholders' meeting decided last week to increase its nominal share capital by SFr43.5m to SFr148.5m in a three-stage operation that will generate around SFr200m in new funds. At the same time Saurer removed barriers to foreign participation in its share capital.

Mr Tettamanti has targeted telecommunications and information technology as sectors for Saurer's expansion.

Earlier this year North Atlantic also announced a capital increase. The group has "several hundred millions" of Swiss francs available for acquisitions.

In spite of a radical restructuring of its operations, Unitech posted a 50 per cent increase in pre-tax earnings to £22.1m on sales of £269.2m for the year to June 30.

Otto Versand sets up UK market attack

By Haig Simonian in Frankfurt

OTTO VERSAND of Hamburg, the world's largest mail order group, is to launch its long-awaited assault on the UK mail order market next year.

The move will be made through Rainbow Home Shopping, a joint venture with Fine Art Developments, the greetings card and gift maker and distributor. This should sharply reduce speculation that Otto Versand is still looking for a UK takeover candidate.

Mr Horst Hansen, Otto Versand's finance director, said his group plans to start testing the UK market in the spring-summer season next year, before becoming "really active" in the autumn-winter period. "The UK is an unimaginably big market for us", he declared.

Otto Versand would concentrate on the low-middle to middle segment of the market, with goods aimed appreciably higher than the traditional UK mail order trade. The range will then be gradually extended up-market to cover slightly older women. However, Mr Hansen made clear it would be some time before Otto Versand offered anything like the full choice of goods contained in its current 1,100 page German catalogue.

Mr Hansen revealed that Otto Versand, which is privately-owned and generated sales of DM13.3bn in its last financial year, had been in intensive talks with Great Universal Stores, the UK stores and mail order group, over forming a joint venture. "We would have very much liked to set up a joint company; however the talks fell through, not from our side", he said.

Rainbow Home Shopping is 65 per cent owned by Otto Versand, with Fine Art holding the remainder. The German group had also taken a 5 per cent stake in Fine Art, but Mr Hansen emphasised this had come at the UK company's request and there was no plan to raise the holding.

Working with Fine Art, which has a large customer list thanks to its Christmas card business and substantial computer capacity, which is essential to a modern mail order business, was the ideal compromise, according to Mr Hansen. Otto Versand would contribute its expertise in the mail order selling and its sophisticated data processing know-how to the venture. "It just needed the bottle of champagne to say let's do it together", he said.

Accordingly, UK takeovers were not being considered. "We wouldn't rule it out if an interesting group came to us, but we're really not in the market", Mr Hansen stressed.

TT lifts stake in Chloride

By Nikki Tait

SHARES IN Chloride, the troubled battery company, were one of the few relatively firm spots in yesterday's stock market turmoil, closing just 2p lower at 31p.

Shortly after five o'clock the reason became clear, when TT Group disclosed that it had picked up a further 1.3m shares, giving it a total holding of 6.8m shares or 2.85 per cent.

TT came under the control of Mr John Newman, a former Hanson acquisitions manager, and Mr Nick Shipp, in early-1987. Since then, it has been involved in a variety of takeovers and acquisitions. News of its initial 2.3 per cent interest in Chloride surfaced in September.

Recovery as Blue Arrow cuts fall to 2.5% in third quarter

By Nigel Clark

BLUE ARROW, the world's largest employment agency, saw some recovery in profits in its third quarter.

Helped by the continued growth at Manpower, pre-tax profits were down only 2.5 per cent in the three months to July 31 compared with a 12 per cent fall after the first six months.

There was also strong growth in France but the advance by the non-Manpower UK subsidiaries slowed. And Mr Mitchell Fromstein, chairman, said he viewed the outlook throughout the world for the rest of the year with caution.

There was discernable softness in the US and Canada and a sense of uncertainty in the UK. The European and Asian markets remained robust, however.

Taxable profits slipped from £18.98m to £18.49m for the three months. From turnover of £448.01m (£369.57m), operating profits were 16 per cent higher at £27.07m (£23.33m). Corporate overheads were reduced to £2.3m (£2.58m), marking the first results of the cost containment programme.

Interest charges increased 3½ times to £6.28m (£1.77m). This was the result of both higher borrowings and increased interest rates.

Mr Fromstein said that group borrowings stood at £210m and measures to reduce this were proceeding slowly but some progress should be seen in the final quarter.

The results left profits for the nine months 8 per cent lower with £43.26m, against £47m. However after extraordinary charges of £42.81m, which were taken in the first half and included a £25m provision against the loan made to Mr Peter de Savary and £6.3m against the costs of the America's Cup yachting challenge, there was an attributable loss of £15.55m (profit £34.31m).

Turnover in the nine months was £1.19bn (£989.28m), a rise of 20 per cent with profits before interest of £60.24m (£53.09m). The interest charge was £16.99m (£6.09m). Earnings per share were 3.8p (4.1p).

The shares closed at 99p, having opened at 111p and touched 96½p at one stage before the results announcement.

Super-league salary for Glaxo chairman

By Peter Marsh

Sir Paul Girolami, chairman of Glaxo, last year received a 51 per cent pay increase, taking his salary to £598,081 and putting him in the ranks of the top 25 UK executives measured in terms of pay.

Also joining him in the super-league of UK salaries is another Glaxo director who, according to the company's annual report for the 12 months to June 30, was paid slightly more than Sir Paul over this period, receiving remuneration of between £600,000 and £605,000.

The director is assumed to be Dr Ernest Mario, Glaxo's US-born chief executive, who took over his job in May from the post of head of Glaxo's US operations. Dr Mario's previous salary is not disclosed.

Glaxo, Britain's biggest pharmaceutical company and one of the world's top four drugs groups, said the size of the award to Sir Paul could be justified by the need to bring salaries within Glaxo up to international levels.

Compared with top drug-company executives in the US, according to Glaxo, Sir Paul would still be "way down the list" in terms of pay.

Sir Paul's new salary, which compares with the £396,931 he earned in 1988, is nearly double the £308,724 the Glaxo chairman was paid in 1987.

Over the past five years Glaxo has grown strongly and last month unveiled a 20 per cent increase in pre-tax profits for 1989, taking this figure past the £1bn level for the first time.

Discussions over ownership of Orbitel

By Terry Dodsworth

RACAL TELECOM, the mobile communications group, is considering a proposal to take full ownership of Orbitel, the telecommunications equipment manufacturing company it set up jointly with Plessey two years ago.

Agreement with Plessey included the right for either party to buy out the other if ownership of one of the parents changed hands.

The recent acquisition of Plessey by the General Electric Company and Siemens of West Germany, has triggered this clause, leading to talks between the two sides.

Although Racal said these discussions have not been concluded, there have been suggestions in the industry that it would like to find another European partner for Orbitel, which is deeply involved in developing products for the next generation of digital mobile telephone equipment.

These products are to be made to a universal European standard so Orbitel may be attracted by the idea of having an overseas partner to help with foreign sales.

Under the agreement with Plessey, Racal has the right to buy out the shareholding now held by the GEC/Siemens consortium at an "open valuation agreed by both sides". If the negotiators fail to agree on a price, they can appoint an independent accounting organisation to arbitrate.

Mecca sells 16 Olivers shops in £6m deal

By Jane Fuller

Mecca Leisure Group has sold 16 of its Olivers coffee shops to management for about £6m.

Mr Nick Allen, managing director of Olivers, said that the business was a mix of franchises and company-run shops, predominantly in Scotland. Annual profit was about £800,000 on turnover of £8m.

Mecca is selling another 10 Olivers shops for other purposes: some of them are set to become building society offices.

JO Walker hit by housing setback

The decline in the housing market produced another casualty yesterday as JO Walker, the timber and wallboard importer, revealed significantly reduced interim profits.

In the half year to June 30 1989, the Leicester-based group saw taxable profits dip to just £49,000, against £406,000.

Turnover was relatively stable, falling some 4 per cent to £8.29m. Earnings per share worked through at 3.9p (32.9p) and the interim dividend is cut from 3p to 2p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Boosey & Hawkes, Cohen (A), Derwent Valley, First Charlotte Assets Trust, Geers Gross, Hunting, Jackson Group, Kymmene, Paterson Zochonis, Roskel, Serif Cowells, Thomson Corporation, Tudor.

Finals- Alba, Allied Restaurants, Amstrad, Attwoods, Castle Communications, Exmoor Dual Trust, Farnell Electronics, Fleming Japanese, Molyneux Estates, Ramus, Thorntons.

FUTURE DATES

Interims-

Centreway Trust	Oct. 23
Diamond	Oct. 23
Parkland Textile	Nov. 7
Silverines	Oct. 18

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Edinburgh Inv Tr ......int	2.5	Dec 1	2.15	-	6.1◆
Highland Dist ....fin	2.9	Jan 11	2.055	3.85	2.82
Kingston Oil/Gas......int	0.8167♠	Nov 30	1.06	1.5592‡	1.75
Manganese Bronze..fin	4.5	-	3.75	7.5	6
Power Corpn ....int	1.8♣†	Dec 11	1.7	-	5.1
Slingsby (HC) ....int	2	-	2	-	7.5
Trans World Comm..int	4§	Dec 1	2	-	10
Walker (JO) ....int	2	-	3	-	7.5
Waterford Wedg .....int	nil	-	1.2♣	-	1.2
Westerly ....int	0.5	-	0.5	-	2.5
Whittington ....int	0.2	-	0.2	-	0.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♣Irish currency. ♠US currency throughout. ‡Total so far in current 18-month period ending December 31 1989. ◆Includes 0.7p special centenary payment.

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Interested parties should contact the Joint Administrative Receivers at 100 Chalk Farm Road, London NW1 8EH. Reference: L558/DC. Telephone: 01-267 4477. Telefax: 01-267 1028. Telex: 27806 LEVGEE G.

LEVY GEE

Telitoy Limited

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Telitoy Limited. The company is engaged in the importation, manufacture and sale of textile toys including puppets, dolls and other toys centred around popular childrens T.V. characters. Forecast turnover for the year to December 1989 is £3,000,000.

The assets include:-

- The "Telitoy" brand name.
- Freehold premises for manufacturing and warehousing in Leicester.
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- 40 highly skilled employees.

For further information please contact Lesley Peak, Joint Administrative Receiver, Deloitte Haskins & Sells, Bank House, Charlotte Street, Manchester. M1 4BX.

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The company has been innovative in the design, manufacture and implementation of electronic sales promotion and marketing programmes in the UK and abroad. It currently operates from office and factory premises in London.

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Turnover £1.2 Million P.A

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For further information please contact Kevin Haycock or the Joint Administrative Receiver, David R Wilton of Deloitte Haskins & Sells, 35 Newhall Street, Birmingham B3 3DX.
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THE BUSINESS PAGES ALSO APPEARS ON PAGE 26 TODAY

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UK COMPANY NEWS

Beckenham to acquire Femwork in £5.3m deal

By Jane Fuller

BECKENHAM GROUP, the maker and installer of heating and ventilation ducts, believes that it will be the biggest player in the UK's air-conditioning ductwork market through its acquisition of The Femwork Group.

The deal, announced yesterday, involves the immediate payment of £3.5m in cash and shares, based on Femwork guaranteeing pre-tax profit of £800,000 for the 12 months to October 31, nearly double what it made last year.

An extra payment of up to £1.75m will be made in 18 months' time, if Femwork's profits are more than £1m for the year to October 31 1990.

Mr Barry Bartman, Beckenham's corporate finance director, said that the combined annual turnover of Gardner, the group's original ductwork company, and Femwork would approach £20m, which he thought would make Beckenham the biggest in the field – the other contender being Henry Hargreaves, a subsidiary of Senior Engineering.

Beckenham's purchase of Femwork marked a turning of the wheel full circle, said Mr Bartman. Little more than two years ago both it and Gardner were owned by Mr Christopher Egleton, now Beckenham's chairman. He had sold off Femwork to its management so that he could float Gardner, because he could not hold both a private and a public ductwork company.

Like Beckenham, most of Femwork's business lies in large-scale property developments and refurbishments in London and the south-east. Femwork effectively owns one third of Duffy-Femwork Contractors, which was set up primarily to supply ductwork for the Canary Wharf development in London's docklands where its contracts so far amount to more than £9m.

Beckenham's other main subsidiary is Benham, acquired last year, which provides mechanical and electrical services related to heating, ventilation and air conditioning.

The group, which has a forecast profit of £3m on turnover of £70m for the year to October 31, recently moved from the Third Market to the USM. It accompanied this with a £5.1m rights issue and it remains free of net gearing.

Mr Bartman said that prospects remained good for the group because the building services it supplied went in at the end of the development, so it was still reaping the benefits of the construction boom. He stressed that the group's contracts were commercial or industrial, rather than residential.

Higher interest charges blow Westerly to lower profits of £306,000

A RISE in interest payable from £72,000 to £165,000 contributed to a profits downturn at Westerly, the yacht builder and shoe maker formerly known as Centreway Industries, in the six months to June 30.

Taxable profits slipped from £352,000 to £306,000 although turnover was up from £8.99m to £11.13m. At the operating level, profits were £471,000 (£424,000).

After a nil tax charge this time, against a comparable £85,000, earnings grew to 2p (1.6p). The interim dividend is a same-again 0.5p. The total last year was 2.5p.

There were extraordinary credits of £549,000 (debit £56,000) relating to the profit from the disposal of investments and the movement of investment provisions.

The company said that satisfactory trading results would be achieved in the full year, though high interest might cause a slackening in demand as the year progressed.

Slingsby ahead but warns on second half

HC Slingsby, the truck, ladder and ancillary equipment manufacturer, lifted pre-tax profits from £260,357 to £290,842 in the first half of 1989.

Mr James Slingsby, chairman, said that the improvement had carried forward to the second half of the year, but warned that high interest rates had affected trading conditions.

Turnover improved from £4.58m to £5.3m. Tax took £103,000 (£95,090) and earnings rose to 18.8p (16.5p). The interim dividend is maintained at 2p.

COMPANY NEWS IN BRIEF

AIRTOURS has purchased Country Farm Holidays and Hideaways. The total consideration, payable in cash, is dependent upon the number of management contracts acquired but is unlikely to exceed £250,000.

BRAITHWAITE has acquired Holton Air Conditioning for £957,000 cash. In the year to September 30 turnover was more than £2m and pre-tax profit is expected to be not less than £250,000 with net assets of about £275,000.

BROMPTON HOLDINGS: Directors confirm that discussions are continuing and may lead to an offer being made for company.

BROOKS SERVICE Group: Following the decision of Haycroft Laundry to close its Grimsby Laundry, Brooks has acquired certain assets being the textile rental stock, certain vehicles and the benefit of the ongoing contracts for £186,748 cash.

CHARTERHALL'S wholly owned subsidiary Corah has entered into a sale and leaseback contract over its factory premises in Leicester, Oakham, Barlestone, Misterton, Barnsley, Scunthorpe and Immingham. The sale proceeds of £9m will be used to reduce bank borrowings. Book value of the assets is £5.23m.

EMMET (R and J): Pre-tax profits for the six months to June 30 fell from £390,000 to £184,000 on turnover of £2.99m. The decrease was attributed to lower product sales in the US in the earlier part of year and to adverse dollar variances. Group also incurred costs relating to the integration of Irish Snack Foods into the group.

FKI has acquired the capital of Magnetic Components for £1.73m in cash and shares. Also, through US subsidiaries, it has formed two joint ventures with Japanese companies.

GLAMAR GROUP has acquired J and H Hosiery for an initial £700,000 and a maximum deferred consideration of £300,000. J and H markets and distributes ranges of ladies hosiery production to non-food national retailers under its own brand as well as under customers own labels.

HIGHGATE & JOB Group has change its name to MITIE Group.

KLEINWORT BENSON has bought in 453,620 of its shares at 363p each.

LYNX GROUP: offer from newly-formed Lynx Holdings accepted in respect of 25m shares (79.4 per cent), and declared unconditional. Dealings in Holdings expected to start on USM on October 23.

MACMILLAN, a wholly-owned subsidiary of Maxwell Communications, has acquired the Saleman's Guide, a New York publisher of business-to-business directories. The consideration was $3.5m (£2.21m).

M&G MIDLAND and General: final distribution on income units will be 19.157p for year ended October 15 1989 (13.685p).

MIDSUMMER LEISURE has acquired TMF Equipment for a consideration of £1.9m cash. TMF's principal activity is the rental of amusement with prizes machines

RENTOKIL GROUP has acquired the interior division of Edmund M Haden of Chicago for $200,000 (£128,700) cash.

STEEL BURRILL JONES Group is acquiring the 25 per cent minority interest in its subsidiary Robert Major from Mr Robert Major for a consideration to be satisfied by the issue of 42,735 new ordinary shares.

TRANSPORT DEVELOPMENT has acquired a 60 per cent interest in Transportes J Amaral, an old-established Portuguese transport undertaking.

Whittington hit by fall in import business

A MAJOR setback at its Rewell import business hit Whittington in the first half of 1989. Pre-tax profit fell from £269,000 to £151,000.

Mr Maurice Miller, chairman of this manufacturer and distributor of toys, giftware, and tableware, said the two core businesses traded satisfactorily, but explained that Rewell's sales were disappointing against a higher cost base. Inevitably, that will have an adverse impact on the second half, he added.

Bonser Group performed well in a difficult market. Reorganisation in the giftware and silverware activities should produce significant benefits, but not until UK consumer demand improved.

Maesel Greetings was already making a significant contribution, but Mr Miller stressed it was highly dependent on a strong performance in the run-up to Christmas.

Despite earnings being halved to 0.6p the interim dividend is held at 0.2p. And Mr Miller reiterated the intention of paying a final of 1p (0.2p) on capital enlarged by the June rights issue.

Power Corp over I£3.6m in first half

Power Corporation, which principally develops and operates shopping centres, raised pre-tax profits from I£2.18m to I£3.62m (£3.28m) in the first half of 1989.

In addition to the increase, the capital values of investments had shown significant improvements. So far this year three properties had been acquired in the US.

Current trading had seen the disposal of a number of properties yielding good returns and significant progress on properties under development.

Turnover came to I£5.54m (I£4.11m). With earnings at 3.8p (3.17p), the interim dividend is raised to 1.8p on an increased capital (1.7p).

Kingston Oil shows decline to $921,000

Kingston Oil & Gas, the Ohio-based oil and gas production development and operating group, suffered a downturn in pre-tax profits from $1.33m to $921,000 (£581,000) in the 12 months to June 30.

This downturn came in spite an increase to $2.97m ($2.66m) in revenues from oil and gas sales and services.

Earnings slipped to 10.43 cents (11.08 cents).

The company is changing its year-end to December 31 and a second interim dividend of 0.8167 cents compares with last time's final of 1.06 cents, and makes 1.5592 cents (1.75 cents) so far in the current 18-month period.

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FINANCIAL TIMES SURVEY

In the age of information technology and sophisticated computer hardware the need for reliable security and consistent protection systems would seem essential to the well being of any company. But as **Paul Abrahams** reports, in spite of steady growth, the sector is beset by problems of its own.

John Batten

Corporate Security

CONTENTS

Guarding the standard

THE IRISH Republican Army bomb which exploded at Deal barracks killing 10 Marine bandsmen has brought the UK private security industry an avalanche of publicity.

That publicity, centred on government use of private security guards at defence establishments has highlighted some of the problems which the industry, worth £800m according to Jordans, the UK market research company, was already being forced to face.

Not least among the problems in the guarding sector is the issue of maintaining standards at a time when margins are increasingly under pressure. Although the market for manned guarding services increased by 10 per cent last year as many government organisations continued to contract out services to private companies, those same organisations have been looking for savings in security expenditure.

This trend is not limited to the UK. Mr David Marzo at Rosenkrantz, Lyon and Ross, the New York-based analysts, says that the US government has been trying to move away from marginal activities like guarding. It is also looking to lower its wages bill while trying to maintain standards.

But because the industry is labour intensive and one of the major costs of guarding is manpower, some companies have been lowering recruiting standards and training, as well as paying low wages in an attempt to put in low tenders.

"Maintaining standards is an imperative. At the low-end of the market there have been cases of people being locked in factories for 48 hours for a weekend," says Mr David Fletcher, Chief Executive of the British Security Industry Association (BSIA), who adds that this has not been the case of BSIA members.

"The problem is that the customer negotiates down the price without looking at the terms of the contract and then finds the level of service suffers," he explains. Mr Fletcher says that guards need training, briefing, supervision, and equipment if they are to be effective.

If that investment in training is to be recouped, the guards need to be paid a living wage otherwise it becomes not only difficult to recruit but also retain staff. At present recruitment in the north of the UK is not too difficult, but there is less demand for manned security services there than in the south. The average wage in the UK is £2.74 an hour.

At the same time Mr *Fletcher insists on the need for* secure vetting procedures. The BSIA has already established standards and procedures for screening. For example, Group 4 Securitas, a BSIA member, says it rejects nine out of 10 of applicants.

However, it remains to be seen whether the question of standards in the area of recruitment and hardware will be resolved by self-regulation, government legislation, or even by the European Community. There has already been considerable debate about standards for safes and locks.

One method of improving standards, according to Mr *Fletcher, could be through the* greater involvement of the insurance industry in security issues. He says they could insist on a minimum level of security before issuing insurance, or offer discounts for those installing security systems. In West Germany, the insurance industry is already well-integrated into the security business.

Corporate security involves far more than merely guarding premises and carrying the weekly wages from the bank to the factory. As society changes, so too do the assets which need to be protected. The past year has witnessed a *number of attacks on* operations and products which have resulted in loss of business.

The most dramatic was the terrorist attack on a Pam Am flight over Lockerbie, the decision of Gateway, the UK grocery chain, to remove £20,000 worth of fruit from its shelves here after mercury was found in Chilean grapes in a store in Philadelphia, and the deliberate contamination of Heinz and Cow & Gate baby food.

The cost of such threats are difficult to estimate. However, in one of the most celebrated cases involving the drug Tylenol an extortionist's *demand is estimated to have* cost Johnson & Johnson, the drug manufacturer, upwards of \$100m with an additional impact of \$3bn on its share price.

Product tampering can be countered, however, if effective contingency planning is in place. *The effect can be to pro*tect the investment in brand names. It is becoming common for accountants to reflect the value of brand names on company balance sheets as part of this contingency planning concept.

Counterfeiting has had less publicity than product tampering but its cost to industry is far greater. Fake goods now make up about 4 per cent of world trade, equivalent to about \$100bn.

For example, the Fédération de l'Industrie Horlogère Suisse believes that 10m Swiss watches are copied every year.

"Counterfeiting creates a double wrong," says Mr André Margot, president of the Federation. "Many purchasers are aware they are buying fakes because of their relatively low price and yet continue to buy them – depriving the true manufacturers of the benefits of their design. At the same time, by buying counterfeit watches, consumers are depriving Swiss manufacturers of their of sales."

But perhaps most significant among the new assets is information, described recently by a manager at Benetton, the Italian textile concern, as being more important than capital.

That information exists in a number of forms – including the spoken word. Many businesses have still not absorbed the security ramifications and vulnerability of the telephone.

Only three years ago, Woolworth Holdings, the retailing group, found that someone had attached a basic tap to one of its executive's telephones during a bid. Security Industry, the UK security magazine, has reported that Sir James Goldsmith's group, Hoylake, which is currently bidding for BAT, has swept its offices and telecommunications systems for bugs.

Hoylake's concern may not be exaggerated. A recent London Business School survey suggests that more than 100,000 bugging electronic devices are sold in the UK each year. The ubiquity of telephone eavesdropping is indicated by a glance at the small advertisements of magazines publicising bugging and sweeping devices and companies which offer services in this area.

However, the most common and valuable source of information is computer data. The advantages of the availability of computer information have been readily apparent, but the disadvantages are only now emerging explains Professor Henry Becker, director of Zergo, the UK-based computer security company.

"Managers have not perceived the disbenefits of computers," he says. "Many companies are no longer able to survive without their computer systems for any length of time. Managers have taken a long time to realise how vulnerable their organisations have become."

Not only do security and data processing managers have to worry about the need to protect their computer systems from accidental damage, such as fire and flood, but they also need to consider the risk of deliberate damage and theft.

Coopers & Lybrand, the UK accountancy firm, estimates that computer losses suffered by British firms could reach £1bn for the first time. It believes that other European economies will lose similar amounts.

The problem for most companies is that good security costs money. The cost appears to be deducted directly from the bottom line. Barclays Bank in the UK says, for example, that it spends about £20m a year on computer security alone.

There is undoubtedly a considerable range of technologies and services available to make businesses more secure. These range from physical access control, security software in computers through to dial-back modems to prevent hackers breaking into computer systems.

However, most of these measures deal with threats from outside organisations. Most fraud and theft occurs from within the organisations themselves.

A survey conducted of 58 companies by the the City of London Police showed that at least 61 per cent of fraud was perpetrated by employees. However, the figure could be higher since only 9 per cent of fraud cases were positively identified as being carried out by outsiders. One head of security in a large London store recently claimed that 90 per cent of shrinkage was caused not by shop-lifting but through staff theft.

Similarly, most computer crimes are committed not by "hackers" on the outside of organisations, but by "gropers" within the company itself. Clearly, recruitment is as important as security equipment and services.

Computer crime is increasing but the scale of the problem is unknown; **Paul Abrahams** reports

Fraud victims who suffer in silence

SECURITY has become one of the more popular topics for computer journalists to cover and the reasons are easy to expose.

Firstly, stories about computer disasters reinforce public prejudices. After all computers are inherently frightening. They create changes within organisations while at the same time taking power away from senior executives who often have little idea how to work them.

Stories about computer fraud are not only attractive because they frighten the public but

If you suffer a loss you do all you can to avoid admitting it.

also because facts about the subject are so hard to come by. The first rule of security is that if you suffer a loss you do all you can to avoid admitting it. Quite simply, there are few verifiable or deniable facts about the subject – which makes it all too easy to publish scare stories.

This helps explain the rash of tales about viruses which on Friday 13 of October were supposed to destroy data on hard disks and the unauthorised transfer of £15m worth of Eurobonds from the London office of one banking house via a personal computer and modem to Switzerland during an Easter weekend.

In fact, most financial institutions believe that fraud is becoming increasingly prevalent. A survey of 58 banks and companies, conducted in 1988 by the City of London Police, showed that 98 per cent of respondents thought fraud was more common today than 10 years ago, and 57 per cent had the perception that it had increased considerably.

The scale of fraud losses is difficult to estimate. The City of London Police say that between July 1988 and July 1989 frauds or attempted frauds to a value of more than £470m were actually reported in the City of London alone.

Moreover, police are sure that not all frauds are reported. The 1988 survey showed that nearly a third of companies would not report a fraud if adverse publicity ensued.

At the same time, 58.6 per cent of those companies in the survey admitted that they had been the victim of a fraud. Seven of these frauds were between £1m and £10m and two were in excess of £10m.

The implications are considerable. The US Federal Bureau of Investigation estimates that about a third of bank failures in the US, which are running at their highest levels since the 1950s, involve fraud.

What is certain is that computers are increasingly central to the fraud that companies are experiencing. A recent survey by the Fédération des Sociétés Français, des Assurances estimated that French companies lost at least FFr7.9bn (£790m) through computer fraud and failure during 1987.

In the UK, Coopers & Lybrand, the accountancy company, estimates that losses this year could reach £1bn. Admittedly some of these losses are caused by accidents such as fire and flood, but the company believes that about 50 per cent of those losses will be caused by deliberate acts.

Certainly, companies believe that computer crime is on the increase. About 20 per cent of those who completed the City of London Police questionnaire believed that the most prevalent type of fraud was now computer fraud and electronic fund transfer frauds.

A further 20 per cent mentioned computer frauds alone and 13.8 per cent mentioned electronic fund transfer alone. A further 10.34 per cent mentioned computer fraud linked with other crime.

A 1988 survey showed that nearly a third of companies would not report a fraud if adverse publicity ensued

That perception may not be accurate, however. There is a problem of definition of what exactly computer fraud is – whether it includes input and output of information – or just involves the manipulation and corruption of programmes.

The City of London Police believes that if the latter and more narrow definition – which includes frauds that could not be duplicated by pen and ink methods – is used, then computer fraud remains far more rare than most City institutions believe.

Nevertheless, as computers become more important for financial and daily commercial business, it could be that computers increase the risk of fraudsters attempting to exploit weaknesses in business practices and systems. This is for three reasons:

- few general managers have any idea of how computers work and are far more likely to be interested in the the bottom line of a print-out rather than *how* a particular figure got there.
- the speed at which international transactions now take place. Previously, it might take a few weeks to clear a cheque – increasing the chance of catching a felon while collecting his or her monies. Now, by using a computer, a fraud can be perpetrated in a matter of seconds.
- the growth in the use of technology has helped to increase the volume of business making the likelihood of early detection more unlikely which in turn increases the temptation to commit a fraud.

While the spread of computer technology – and in particular computer networks – has increased the possibility of fraud, so too has the means of preventing fraud and catching those who perpetrate it.

There is no shortage of security products and services to choose from. The market is highly fragmented, and there are a great many companies with competing technologies clamouring to grab a section of this rapidly growing sector. In the US alone, Frost & Sullivan, the New-York market research company, estimates that the computer security market will grow from $588m in 1988 to over $1bn in constant dollars by 1993.

Once it has been decided to reduce risk, there is a wide range of methods available to protect computer information. These include traditional physical access control to prevent unauthorised use of workstations, and computer management systems incorporated in either operating systems or software which prevent unauthorised access to files.

Systems are also available to protect communications. These range from encryption programmes based on formal mathematical principles to a simple device called a dial-back modem. This automatically cuts off any incoming calls, checks that the caller is allowed to enter data and is not a hacker.

The same lack of information that makes computer security so attractive for journalists also makes it remarkably difficult for security managers to assess the risk their organisations are facing.

Companies clamour to grab a section of this rapidly growing sector

That lack of information also makes it difficult to work out the cost benefits of security.

The cost of administration and maintainance of the system as well as training personnel to use it, may be greater than installing it in the first place. At the end of the day it may be worth accepting the risk or even insuring against it, rather than attempting to reduce the chances of fraud or accident occurring.

ACCESS CONTROL

'Picasso syndrome' rules

COMPANIES will always want to guard their goods, services, data and assets as closely as possible and there is a myriad of devices, usually far more expensive than a lock and key, available to calm corporate fears.

Access control remains an oddly-shaped piece in the security market jigsaw because the prices of the relevant equipment are "quite crazy", according to one security consultant, and because of the market's direction.

The European industry has continued to be buoyant. It is growing at a rate of 13 per cent a year since 1985, according to New York-based analysts Frost and Sullivan. While it seems likely that the industry will continue to be buoyant, growing at a rate of about 6 per cent a year until 1993, it is oversupplied by manufacturers and distributors who are outpacing demand with a plethora of under-subscribed systems.

Also, the markets in industrialised countries, with the exception of Spain, are now mature, with the likelihood of accompanying falls in crime rates, and a fall-off in equipment orders.

This is not necessarily the fault of the technologies available, but can be a result of the disheartening time (for manufacturers) that it takes for an insurance company to agree to insure a system or building which the system is designed to protect. Insurance companies are naturally dilatory because it is so difficult to give a new system a thorough review.

Mr Stewart McAinsh, a security consultant at Hampshire-based Security Advisory Services, says some systems "fall by the wayside because they fail the user-test and manufacturers have an awful lot of leg-work to do if they want a product to get accepted." While the market is still dominated by the smart card, which has an 80 per cent share of the £2bn market, some smart card systems are dropped, he says, because users become so tired of inserting the card into a reader and the reader failing to accept it first time.

Card sharp: 80 per cent of the market is taken by smart cards

Frost and Sullivan point out that smart cards can be a much more secure method of protecting central computer systems than a password.

Advocates of smart cards for the financial market believe that much of the estimated $2.5bn annual fraud loss by credit card issuers could be prevented.

The use of cryptography is often essential for data security, and in such cases, a smart card with an encryption can be used with a reader to authorise entry to the system.

Access control remains peripheral to the industry

Each card can be programmed with unique information, such as a PIN code, or biometric identifiers. Biometric systems, which rely on the cross-checking of individual characteristics are still the most eye-catching aspect of the market. They can recognise a wide-range of characteristics, voices, palmprints, fingerprints and even the pattern of blood vessels on the back of the retina.

For example, VoiceKey, launched by Securitas Technology, the UK-based subsidiary of Europe's largest security organisation, Group 4 Securitas International, is clever enough to ignore voice distortions caused by colds, but it takes about 20 seconds to process an employee. With biometric systems, which can process hundreds, rather than thousands in an hour, the flow rates are slow.

Retinal scanners are quicker, taking only seven seconds per employee. The user's eye is scanned by a low-intensity beam of light which samples the retina at 320 points. But do companies really need such biometric technology, when the manufacturing market is so competitive that a system can be obsolete before it is launched?

Mr Ken Luck, assistant director of Corporate Security Services, the Chamber of Commerce independent consultancy, calls it the "Picasso syndrome." Suppliers surround the product with such a mystique that the company buys assuming it must be good because the system is both incomprehensible and expensive. But, according to Mr McAinsh, companies are only "very occasionally investing in the biometric systems."

Mr McAinsh considers the market is going in the direction of hands-free systems, which are priced at the middle-of-the-range. New products tend to originate in the US. The most expensive component is the central processing computer, usually IBM compatible. With a hands-free system, a token is carried, and does not have to be put in a slot. As someone approaches, an electronic reader checks the token and opens the door.

The system is expensive at £1,500 per door and the back-handling of data – the time it takes to process the token – is crucial if they are to be be capable of handling large numbers of people such as soccer crowds. Slightly less expensive, but also tipped for widespread application, is the electronic lock. Keys have chips and user information, and a lock reads the information and allows entry. They do not come cheap, and prices must fall if they are to catch on.

Why pay £600 for an electronic lock when £50 buys you a very strong high security lock? This, is the reason that access control remains peripheral to the corporate security industry. The systems are also frighteningly technological and slow to win user-acceptability. Even if a company does decide to invest in one of the many on the market, they need careful management if they are going to work.

There is no point in investing thousands of pounds in an access control system when guards or staff decide its much easier to prop open the entrance door with a fire extinguisher. "You've got to manage them or else lose all the benefits," Mr McAinsh says.

Rachel Johnson

ELECTRONIC BUGGING

When the spies come tapping at your phone

IN THE DIVERSE WORLD of corporate security the use of electronic equipment to eavesdrop on private conversations and meetings has a unique glamour.

If this is partly because the electronic bugging business depends heavily on government security forces for its personnel and expertise. Electronic surveillance can be the source of the most valuable information – private, real-time news which potentially can be powerfully translated into commercial or market advantage. One specialist counter-surveillance consultant describes bugging as the scientific method of information theft.

That information is usually unique because unlike much of the news which feeds the commercial world, it is first-hand and reliable rather than filtered through rumours, rivals or newspapers.

The business merger is most vulnerable to a leak of information

Security advisers point to the example of a potential merger to indicate the problems of safeguarding valuable information. In its earliest stages, a merger might be nothing more than an idea between two managers. As plans progress, more and more people need to know about them, so that just before it is announced, the merger is most vulnerable to a leak of information.

At the final stage, the list of parties to the merger expands dramatically to include lawyers, clients, banks, printers and PR companies.

The dilemma is how best to safeguard commercially sensitive news. The phenomenon of the lawyer friend hinting at a big deal about to happen is familiar to many, but the electronic eavesdropping of a telephone call is much more common than people suspect.

As the information technology revolution has progressed, the array of hardware vulnerable to electronic interference and surveillance has grown dramatically. The idea of the bugged boardroom is almost a cliché when set against the threat to fixed and mobile telephone lines, fax machines, telexes, and computers.

The problem for companies is made worse by the simple availability of the tools of the listening trade. Somewhere in London's Mayfair is a shop known to the trade as the counter-spy shop which sells off-the-shelf equipment for bugging and also offers counter-surveillance services. In a previous era when the political climate made spying rather more fashionable, the shop was called, without much subtlety, the Spy Shop.

There are even small-ads in respectable broadsheet newspapers offering customers "the amazing recording briefcase", a product which spearheads an amazing record of profits growth for the underlying company.

Good security against electronic eavesdropping is thus not simply a matter of the occasional sweep of the office. Mr Ray Kane of Trawl Services, a specialist counter-surveillance company, advises clients to take an integrated approach, to place electronic counter-surveillance within an overall security programme.

As with general contingency planning, the starting point is risk evaluation.

Where is there information or conversations which need protection against eavesdroppers? What would be the business impact of lost information?

Companies should not jump in and purchase a range of technical equipment before they have evaluated what simple procedural changes might improve their overall security.

Mr Kane says: "Many organisations permit relatively free physical access to sensitive areas. Improving physical security can make it more difficult for an eavesdropper to gain access to install a listening device."

It sounds obvious, but any good security adviser recognises occasions when electronic sweeps of sensitive areas before a vital meeting has occurred are made redundant. For example a full sweep and search of a boardroom is a waste of time if an unchecked person is allowed to take coffee and biscuits into the meeting without being screened in the same way.

Listening devices can be secreted in a room in any number of devious ways. Checking basic procedures before embarking on major expense can be applied equally to the vexed question of protecting the information on computer screens from electronic surveillance. The notoriously expensive Tempest system may well be unnecessary for the majority of computer users – making sure several screens remain active and checking their orientation are simple steps which can make full-screening redundant.

Mr Hugh Colley of BT Security Management Consultancy, says: "This sort of security does not need to be done all the time, but companies do have to make continuous judgements about the business value of information and prepare accordingly."

Mr Kane says: "Measures like improving physical security and searching sensitive areas for listening devices are prudent, but they cannot offer complete protection in practice. Special equipment can be used to improve the scope, speed and quality of counter-measures."

Listening devices can be secreted in any number of ways

All electronic surveillance equipment is based on radio and transmission equipment, hardware which manufacturers have to test before they can sell it. The counter-surveillance equipment used by specialists like Trawl Services relies on testing devices for its basic design.

Spectrum analysers and oscillators are the main tools for identifying devices and debugging areas. But there is another sort of counter-surveillance, that is making information unintelligible to an eavesdropper either by encryption or by scrambling. Encryption belongs more in the world of government security services, although it plays a role in, for example, protecting telephone lines in foreign countries. However, scrambling is becoming an increasingly common way of protecting against telephone taps, crossed lines, and deliberate switchboard intervention.

As technology develops, companies are beginning to market new products like secure fax machines to safeguard information theft from data links.

Andrew Freeman

High capital outlay keeps cash carrying out of the domain of rogue elements; **David Waller** reports

Cowboys are out-gunned by technology

THE BRITISH Security Industry Association is proud of the fact it represents no fewer than 150 of the biggest operators in the business, which between them account for 90 per cent of the industry's turnover.

There are stringent membership requirements, onerous training standards and rigorous monitoring arrangements: but are these enough to protect the industry from "cowboy" operators?

Those who work in the business say that – in certain key areas at least – market forces are a much more effective guard against low standards. Small firms are simply edged out of the market for these services by the vast capital investment that the major players are forced to make in order remain competitive and provide customers with what they want.

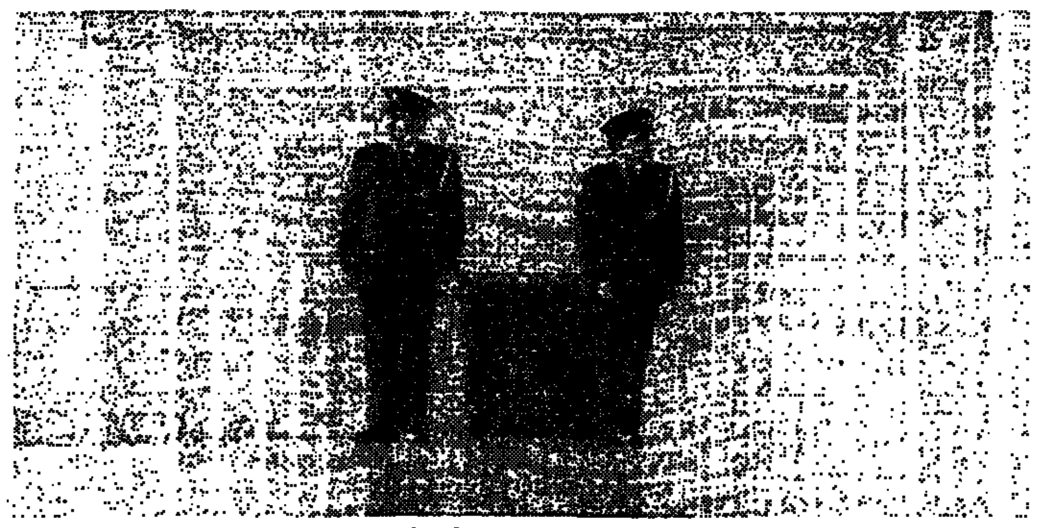
One area of the market which is immune to this phenomenon is that of manned guarding. There seems very little to stop small, shady outfits from setting up for a time and disappearing with the cash. Public concern over this aspect of the business is rife and the popular press regularly carries stories of guards whisking away the loot and jumping on planes to Rio.

Economic loss is one thing: worse by far is a tragic loss of life as at Deal. This is clearly of greater concern to both the public and the "quality" players in the security industry.

Cash-carrying and securing premises are much more capital intensive, with high barriers to entry which effectively keep the cowboy at bay. When it comes to cash-carrying, the big companies are prepared to invest millions in setting up cash-holding centres which allow them to act as bankers to the banking profession, as it were, collecting cash for one client and distributing it for another. Other added-value services include the servicing of automated cash-dispensers, banknote screening and overnight cash deliveries.

In the field of securing premises, the majors – such as Securicor, Ash Chubb, Brittania and Thorn EMI – will make similar-sized investments in setting up monitoring centres which keep automatic tabs on tens of thousands of buildings up and down the country.

Their activities are complemented by numerous players with expertise in technology-driven niche markets, such as those for closed-circuit television (CCTV), sophisticated alarms, even bugging devices.



Capital costs prevent building protection becoming a racket

Typical of the high added-value services provided by the big companies is the Genesis "intelligent" alarm system introduced by Securicor's Granley subsidiary in 1986-87. Mr Chris Shirtcliffe, Securicor's finance director, says that the total investment on this project amounted to £2m. The company has built two monitoring centres, one in Shoreditch, East London and the other in Macclesfield near Cheshire.

The system services 50,000 monitored installations, linked to the control centres via a digital communications network.

"The system does everything," said Mr Shirtcliffe. "It can check on intruders, make sure lifts or boilers are working, control temperature and switch lights on and off. The customer can pick and chose the level of service needed. For example, if we identify an intruder, we can alert the customer, tell the police, or send one of our own investigation units to the installation, depending on what the customer requires."

An example of a smaller company launching a competitive, technology-driven product is that of Sonitrol, a Manchester-based company. It recently won British Telecom approval for an audio intruder alarm system which allows operators at a computerised central station to listen in on what is happening at premises connected to the system, thus allowing the company to alert the necessary authorities.

Sonitrol says it will typically install up to 16 microphones plus 16 conventional detectors such as infra-red beams, allowing controllers to track intruders both inside and outside the protected premises.

It claims that the police are more likely to respond to this sort of monitoring device, because an operator will be able to give a vivid account of what he or she has heard going on in the building, rather than relying on computerised data which might always be a false alarm.

A vivid account of what an operator has actually seen may also appeal to the police, and developments in CCTV reflect this. Gradually, the technology behind old-fashioned tubed cameras is being updated with devices giving better resolution and a longer life.

It is not merely the cameras which are subject to technological innovation: transmission methods are being improved with microwave, high-power laser modules and fibre-optics becoming increasingly popular.

This is typical of the quality end of the security business in that technology and investment is forcing the pace of change and keeping out not just the cowboys but intruders too.

Andrew Freeman outlines the case for contingency planning

Be alert to the unthinkable

IF ANY UK or European company had any doubts about the merits of a pro-active approach to contingency planning, then the events of 1988-89 should have dispelled them for ever.

The rash of extortion attempts, product contaminations, and the need for genuine responses to product, environmental and transport disasters, ought to have been enough to convince all but the most short-sighted of managers to grasp the nettle and take concerted planning action.

A few years ago, such a suggestion would have been dismissed by sceptics as the propaganda of the handful of specialist companies which advises companies on security matters. Too many managers took the line that the worst could not happen to them, that they could react easily enough if it did, and that they had more important things to worry about than contingency planning.

There used to be considerable financial objections to the idea of paying for planning, an attitude which security advisers report still exists, albeit in less pronounced fashion. Public awareness is unparalleled, raised by the growth of environmental concerns and the increased attention paid by the media to, for example, the food industry.

"Consumers are now thinking about their safety in very broad terms," says Mike Seymour of Burson Marsteller, a specialist adviser on the communications and media aspects of crisis management.

Simon Adams-Dale of Control Risks Group points to a change in corporate perceptions of planning. "Five years ago, it tended to be only companies which had been through a bad experience that introduced proper planning and had the appropriate management input. We now find much wider awareness of the problems."

Seymour cites the UK food industry as an illustration of how the growth of public concern has forced companies to react. In February, the Food Safety Advisory Centre was set up by a group of leading retailers to provide a hot-line service answering consumers' queries. The level of concern – 7,000 calls in the first months – took everyone by surprise, as did the speed with which consumers reacted to news from abroad. Increased public awareness has made companies even more vulnerable in business terms than they used to be. The implications for reputations and profits are ever more immediate.

"The message is slowly getting across," says Mr Hugh Colley of British Telecom Security Management Consultancy, a BT subsidiary which markets security services to commercial clients. "Companies, whether they are banks, transport firms, or food manufacturers, have to think in terms of prevention."

Control Risks Group's Mr Adams-Dale agrees. "Of course, prevention is better than cure," he says. "We try to encourage companies to take an integrated approach to security planning, and offer them a package of services." The fact that the need for contingency planning is much less disputed now than it was even a year ago is an indication of how far acceptance of the general principles of general security planning has come. Then, companies were reeling in the wake of major disasters like Piper Alpha and Zeebrugge.

The food industry has come under an unprecedented degree of scrutiny. In the US, the Food and Drug Administration found itself inundated with reports of product tampering and contamination, leading health officials to describe a new form of terrorism.

Specialists close to the UK food industry report a similar trend. The dilemma for companies which find themselves at the centre of incidents is that as information goes into the public domain, they become vulnerable not only to distortion of facts by the media, but also to copy-cats who latch onto a technique of extortion. As Mr Adams-Dale remarks, "Problems of product contamination and extortion are not new, but they are getting much more publicity."

Burson Marsteller, which specialises in the communications implications of incidents, is handling record numbers of incidents . . . over thirty this year in the food industry alone. "We help companies to control their communications," says Mr Seymour. "If you think about defining contingency planning as preparing for or preventing disasters and crimes, you have to realise that once outside interests intrude on a problem the game has changed."

The best plans in the world are, by definition, no more than that. The fact that 'what-if' planning can only go so far, however, does not diminish its importance. Control Risks takes a wide approach to the question of publicity.

"We preach that handling publicity is an important aspect of disaster management," says Mr Adams-Dale, "but going public can breed more of the same. Companies find themselves under a great deal of pressure to be seen to be doing something, but this has its own dangers."

As far as there is a solution, it lies in returning to the first principles of security planning. "You have to think in terms of risk evaluation," says Mr Colley. Mr Adams-Dale agrees: "When an incident begins, you don't know what you're up against. Depending on the threat, management has to weigh up the requirements of the business as a whole against the immediate requirements of the security problem."

The vast majority of incidents come to nothing, and that hasty projection into the public domain could be extremely costly. Many product tampering or extortion cases are the work of individuals or very small groups – a company's priority can often be to co-operate with the police to try to find and arrest those involved. It can be much easier privately to remove a threat and contain an incident. As consumer awareness and media interest continues to grow, so will this dilemma. Companies should continue to assume the worst because there are some problems they cannot yet insure against.

By Andrew Freeman

MANNED SECURITY

A crisis of self confidence

THE GOVERNMENT is finding itself under increasing pressure to introduce a regulatory framework that will rid the security industry of persistent bad practices and cowboy operators that have not been curbed by self-regulation.

In spite of all its best efforts, including improvements to its own inspectorates and codes of conduct, the British Security Industry Association, the industry standards organisation, remains powerless to control the hundreds of companies outside its membership.

The BSIA has 40 members engaged in manned security, employing about 35,000 guards. Combined turnover last year was £311m – 80 per cent of the market in turnover – valuing the whole market at £388.75m. It forecasts a market growth this year of between 10 and 15 per cent.

Jordan's, the company information specialist published a survey earlier this year which said that four companies shared 63 per cent of the manned security market. Group 4 Total Security had 24 per cent, Securicor, 21 per cent, Reliance Security, 9 per cent and Securiguard, 9 per cent.

Security guards, who now outnumber the police, are expected to have an increasingly prominent role in areas previously undertaken by the police. Stewarding at football matches, carrying out initial checks on some intruder alarms, and pass-checking duties are all areas where private companies could release police for more important duties.

In order for this to be achieved the industry must win the confidence of senior police officers, many of whom are sceptical about the industry's claims to be capable of regulating itself. Critics of the BSIA argue that staff vetting, even within its membership, is not always as thorough as it should be. High staff turnovers and competition for employees all work against vetting procedures which, if they are to be carried out to the letter, can take weeks to effect. The industry has argued that police could help with vetting if they were to give prospective job applicants clean sheets to show would-be employers they had no previous convictions.

Administration costs for investigating the career history of a job applicant, going back up to 20 years, is a costly element which eat into margins when tendering for contracts. The knowledge that other competitors may not be bound by any controls is making BSIA-member companies increasingly bitter, particularly when bidding for Government work. The BSIA was angered following Deal to find that not all Ministry of Defence private guarding contracts had gone to its members. Those guarding companies that have succeeded in obtaining MOD work have had to tender in the knowledge that that are facing intense price competition and this inevitably affects the standards of service they can offer.

Mr David Plant, the national officer of the white collar section of the GMB general union, with about 30,000 members in the private security industry, said: "The Ministry of Defence has been causing concern to a number of companies over the last couple of years. They (the MOD) have been absolutely vicious in that they have only been accepting the lowest tenders that have been coming along."

Some companies with MOD contracts, he said, had lost almost everything they had. Two had informed the MOD in the last six months that there was no point in them being asked to tender any more because they could not possibly compete on the level of tender it was accepting.

Col Mike Day, chief executive of the Cambridge-based Royal British Legion Attendants company, which only employs ex-servicemen and deals with the blue chip end of the industry lost his last MOD contract – at Cheadle Hulme near Manchester – three years ago. He said the management in Cheadle Hulme had been completely satisfied with the company's work.

His company, an arm of the British Legion, has submitted 21 tenders to the MOD in the last two years and lost out with all of them. The company is not cheap. Its guards in London earn £10,000 a year – in the higher end of the security pay bracket – and it is not prepared to compromise on its service.

Security companies are reluctant to speak out against the MOD for fear of losing contracts but at least one company is known to have complained at a senior level to the ministry about its tendering polices. The MOD, which employs 250 private guards from 16 different companies at 44 of its establishments, refuses to discuss its tendering policies. Mr. Tom King, the Defence Secretary, has now announced that he is considering setting up a committee to oversee the work of private security companies at military bases. Even before Deal, however, the Government was facing powerful lobbying from the Association of Chief Police Officers to improve controls in the industry.

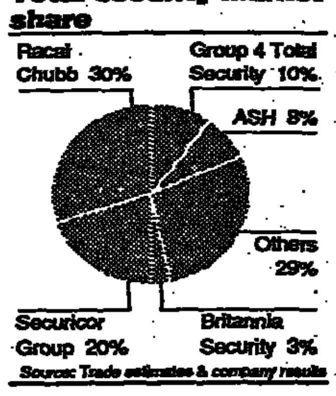
While many governments abroad have opted for statutory control the UK has continued to resist and the present government's aversion to anything that could increase bureaucracy has, until the latest outcry, made the prospect even more unlikely. The BSIA insists that it is capable of policing the industry, but some of its most influential members are becoming sceptical.

Mr Jim Harrower, managing director of Group 4 Total Security, one of the market leaders said: "The recognition that there is a need for regulation is more prominent now than a year ago. I am absolutely convinced we need regulation, and very soon." He believes that regulation need not run through every area of the industry, but should certainly cover companies operating on sensitive sites including banks, MOD departments, and airports. The alternative could be to leave matters to market forces which, in this industry, can make grown men weep.

One lesson was provided by Florida Phil, the nickname of Mr Philip Wells, a security guard with Chalmers Security at Heathrow Airport. His last job was to collect nearly £1m, mainly in Portuguese escudos, from a jet on the runway. That was in July. Neither Mr Wells nor the escudos have been seen since.

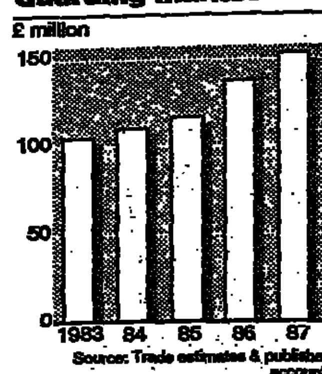
By Richard Donkin

Total security market share



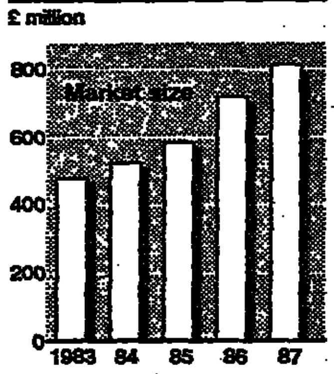
Source: Trade estimates & company results

Guarding market

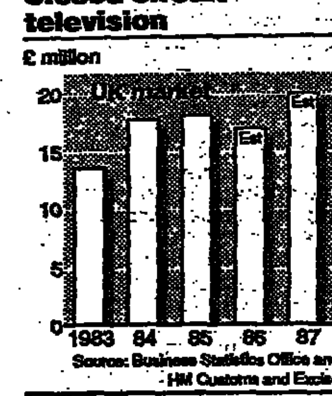


Source: Trade estimates & published accounts

UK Security industry



Closed circuit television



Source: Business Statistics Office and HM Customs and Excise

Patrick Harverson finds printers suffering a bumpy ride

Big stays beautiful as players cram the pitch

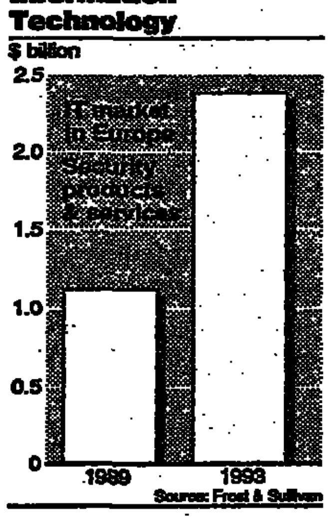
LIKE every other industry, security printing has had to ride the rollercoaster of the business cycle and for the last three years, that ride has been particularly bumpy, reliant as security printers are on the level of activity in domestic and overseas financial markets.

The period of fast growth after Big Bang deregulation and the subsequent bull market of the mid-1980s has, since the stock market crash of October 1987, given way to a leaner period in which security printers are having to price themselves into work in a highly-competitive market.

Security printing offers a mirror for the financial markets on which the business relies. In both cases too many players, enticed into the market during the lucrative years, are now chasing too little business.

The smaller firms that moved into the business after Big Bang, attracted by the sharp growth in demand are still there, but resulting overcapacity means prices have been lowered and costs cut to win business with the promise of a cheaper, more efficient service.

Consumer spending has been hit by interest rates but the credit card printing market has held up well



The market for information technology is likely to approach the $2.5m mark by 1993 if current trends continue

Bigger firms appear to have a distinct advantage. "When there is less business around clients tend to gravitate toward the larger, more established firms," say Colin Tennant, printing analyst with Hoare Govett.

There is a greater concentration of market share in few hands and members of larger printing groups, such as Burrup Mathieson (part of St Ives), Oyez Press (part of BPCC) and *Greenaway Harrison (part of* Lonrho), are winning business from the smaller operators.

The big UK firms are expanding abroad as well as at home. Most have associate links with printers in New York, Tokyo, Frankfurt and Paris, and some, such as Williams Lea, are moving into peripheral markets like Spain. One firm, Burrups, has taken its overseas development a step further by setting up its own Tokyo operation.

"The office is particularly important with the Eurobond market and Japanese banks, who like to get involved at both ends," says Derek Morgan, managing director of Burrups.

In the UK, competition is hotting up, partly because the financial markets the printers serve have also become more aggressively competitive. UK-based banks and securities houses are having to battle harder to win mergers and acquisitions, rights issues, flotation and privatisation business.

This fierce competition has reduced their margins considerably, and has forced financial houses to make greater demands on security printers.

These demands come in the form of cost, speed, quality of product, and overall efficiency. *The nature of the security* printing business means that printers do not enjoy the luxury of long-term contracts with their clients.

A bank that is unhappy with the service on a contract is likely to give its next batch of work to another company.

Although the emphasis on speed and quality is stronger than ever, security printers have had to maintain standards while cutting back production costs. This has involved making savings on both labour – although redundancies have been kept to a minimum some firms are freezing recruitment – and plant and equipment.

The latter has been possible *by getting more out of existing* technology, and using latest technology, such as laser printing, web-offset printing and working more with discs instead of hard copy. While the market has become more competitive in respect of the quality of service demanded, the volume of business remains below the best levels seen prior to the crash.

Bob Hodgson, managing director of Williams Lea, estimates that the volume of financial printing business is currently two-thirds down on the pre-crash busy period. Tim Rothwell, analyst at Barclays de Zoete Wedd, the UK securities house, thinks the security printing market is nearing maturity. "Companies are *reporting relatively good trad*ing margins and some signs of growth; say, about 4 to 5 per cent a year growth in sales."

The recent spate of large takeovers involving UK corporate companies has given a welcome boost to the more lucrative end of the business. At the other end of the scale, such as work on flotations, rights issues, and company reports and accounts, the trend is markedly different.

"A lot of the smaller jobs, the run-of-the-mill work, has disappeared and what is left has become incredibly competitive," explains Derek Morgan.

Privatisation issues have been a lucrative source of business but printers are aware *that the privatisation spring* will one day run dry.

Other areas of the business remain relatively static. Personal transaction printing of cheques and credit card coupons etc, has held up well in spite of the downturn in consumer spending.

"This part of the business tends to be recession proof because the same amount of transactions are made, just in smaller amounts," explains Mr Colin Tennant, printing analyst at broker Hoare Govett.

Cheque printing is growing steadily, as is the credit card printing business, although the recent report by the Monopolies and Mergers Commission recommending that retailers be *allowed to charge customers* more for buying with cards may hit overall demand.

THE COUNTERFEITERS

Global crimes committed by the flatterers who deceive

COUNTERFEITING costs billions of dollars in lost trade each year. It jeopardises commercial reputations and the jobs of those working in the industries on which it preys . . . and it can put lives at risk.

Fake products now account for 4 per cent of world trade, or $100bn, making counterfeiting one of the fastest-growing, global economic crimes. Once it was the felons' equivalent of a cottage industry. Now it is a world-wide network of organised crime, highly sophisticated and often involving money from drugs trafficking.

Counterfeiters are moving rapidly on from clothing and *fashion accessories to electrical* goods, components, machines, even spare parts for cars, aircraft and high-technology products. They usually choose a brand leader and often fail to meet safety standards.

Fake medicines are another example. Drugs designed to look like the genuine product but not containing the active medical ingredient are believed to have been responsible for the recent death of a Nigerian government minister.

By the time the drug was recognised as spurious, it was too late.

Counterfeit medicines are estimated to account for almost 40 per cent of Nigeria's pharmaceutical market. But *cheap imitation drugs being* sold as genuine are not limited to Nigeria or the Third World, says the International Federation of Pharmaceutical Manufacturers' Association.

Counterfeit versions of an anti-cancer drug were recently discovered circulating in some European countries. Though those supplies have been stopped by French Customs, others persist.

Stemming the flow of fake products is proving a difficult, if not impossible task.

"You cannot hope to put the pirates out of business," says Jack Heslop, chief investigator with the Counterfeit Intelligence Bureau, set up by the International Chamber of Commerce in 1985. "You *just make* it as difficult for them as possible and hope they move on to another product, another industry."

The bureau compiles the evidence necessary to enable national law-enforcement agencies to make arrests and seize counterfeit goods.

But CIB investigators, though they receive co-operation from officers in countries such as Hong Kong and Taiwan, have sometimes to pursue counterfeiters in countries with no recognisable law enforcement agency. Tracing fake products is itself a complex task. They are generally distributed through an extensive, often global network of dealers. Many believe the problem can only grow worse with the dismantling of border controls in 1992.

Counterfeiters are moving rapidly on from clothing and fashion accessories to electrical goods, components, machines, and even spare parts for cars and aircraft

Italy, Portugal and Spain are already important sources of counterfeit products. When Turkey is admitted, the EEC will be awash with fakes, says one expert.

Another obstacle is the lack of adequate legislation in many countries to deal with the problem at source. Representatives from those countries benefiting from counterfeit trade consistently oppose changes tabled at meetings of GATT or the World Intellectual Property Organisation.

A special label on Johnny Walker whisky bottles reduced counterfeiting 15 per cent and sales increased 45 per cent during the first months of use in Thailand.

Controlling the flow of counterfeit goods will be further complicated as long as some developing nations turn a *blind-eye to what they consider* good quality, cheap, fake products such as medicines, or while customers in the developed world are prepared to tolerate somewhat lower quality for a bargain bit of computer software or audiotape.

The CIB works closely with its sister organisation, the International Maritime Bureau to intercept fakes before shipment. There are a number of commercial firms also with a world-wide network of inspection agencies. Their staff are given access to goods on behalf of the purchaser or importing country.

The Copyright Design and Patents Act, which came into force at the beginning of August gives police extensive powers of entry and seizure; courts are now able to impose a maximum sentence of 2 years and an unlimited fine.

There are also steps that manufacturers themselves can take to combat the counterfeiter. "Light and its properties offer the greatest potential for the development of cost-effective anti-counterfeiting devices, to identify products and verify authenticity," says Ms Rosamund Gee, of the business intelligence centre of consultancy SRI International.

"Holography will increasingly replace magnetic stripes which can be easily copied by counterfeiters," says Ms Gee. Johnny Walker whisky was the first product in the world to carry a holographic label to *counteract counterfeiting.*

The special label reduced counterfeiting 15 per cent and sales increased 45 per cent during the first months of use in Thailand.

Holograms developed by American Bank Note's holographic division saved Visa and Mastercard $100m a year. Cosmetic products and some of General Motor's more expensive automotive components also carry ABN holograms. An Italian clothing manufacturer recently started incorporating holograms in the labels of designer dresses.

But the cleverer counterfeiters have successfully faked or transferred conventional holograms. The UK company Applied Holographics has now developed a new technique of *reproducing reflection holo*grams to counteract this.

Researchers at 3M(Minnesota Mining and Manufacturing) in the US have developed retroreflective technology to offer the possibility of a customer logo which only becomes visible under the beam of an ordinary torch, but looks normal in daylight. When combined with 3M's Protected Graphics Adhesive, which shows up any tampering with the label, the technology is resistant to alteration, duplication and simulation. "Its primary use will be in the protection of items such as motor vehicle parts, videocassettes, pharmaceutical packaging and luxury goods," says Rosamund Gee.

Optical variable ink (OVI), developed by Swiss firm SICPA, has already proved effective in deterring counterfeiting, helping customers recognised the authenticity of an article. Though expensive, OVI can can be incorporating into existing printing techniques.

Nevertheless the counterfeiters' skills are growing and in many instances will eventually match those of security device manufacturers.

Given the unwillingness of manufacturers to commit substantial research funds to solving their problems, companies that can develop innovative, effective and low-cost anti-*counterfeiting devices will find* substantial market opportunities.

Commodity prices recover some of their early losses

By Steven Butler and Kenneth Gooding

THE turmoil in world stock markets drove down commodity prices in London yesterday morning, as some investors sold to raise cash, but by the end of the London trading day they had recovered some of the early losses.

Gold bullion prices surged but could not break through the psychologically important $370-an-ounce barrier. Other precious metals followed gold upwards.

At London's International Petroleum Exchange, a firm opening for crude oil and gasoil was upset by mid-morning, when the big commodity houses came in with sell orders aimed at improving liquidity. From that point, prices closely tracked the movements in share prices, falling abruptly and then partially recovering later.

"The market is being driven entirely by financials," said one trader.

Traders said that prices were being driven down by profit taking, in which cash was raised to meet potential margin calls in the stock markets.

It is extremely unusual for oil and oil product markets to track movements in share prices, and traders could only recall the 1987 share price crash as a precedent.

The fall in the dollar early in the day would normally have been expected to boost oil prices.

Traders described the fundamentals in energy markets as very strong, and they expected prices shortly to resume the upward trend of last week.

Gasoil prices on Friday approached a four-year high amid fears of supply disruptions, as consumers stocked up for the winter season. Gasoil demand was expected to be strong in Germany, where there was little buying earlier in the year.

At the same time, there have been delays and reports of cancelled shipments of gasoil from the Soviet Union, a large exporter.

Crude oil prices yesterday also came off the highs of last week, ending a 2½ week rally that followed the meeting of oil ministers from the Organisation of Petroleum Exporting Countries.

Prices have been lifted by strong demand coming into the winter season, although traders said yesterday they had expected a break in the rally.

"There was plenty of scope for a correction," said Mr Michael Levi, a broker at Drexel Burnham Lambert.

Oil prices were off by as much as 40 cents a barrel during the day. Brent oil for December delivery closed off 10 cents at $19.475.

The gold bullion price jumped to $369 a troy ounce in London early yesterday, $5.25 above the close on Friday. The price met resistance and selling as it approached the $370 level, and gold closed last night at $367 an ounce, up $3.25.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium high grade	+3900	to 65,725
Copper	-13575	to 89,300
Lead	-1100	to 33,125
Nickel	-1302	to 3,456
Zinc	+3050	to 76,100
Tin	+475	to 5,125

Dealers said the fall in equity prices prompted some gold buying but, when it became apparent that the stock market situation was not catastrophic, long holders of gold started to liquidate and take profits.

Mr Robert Weinberg, precious metals specialist at James Capel, the financial services group, suggested: "Gold did its job again, just as in October, 1987. It maintained its value while everything else was plummeting."

Mr Weinberg added, however: "Don't expect any rush for gold while interest rates are high – the pressure is on sellers, not buyers."

He insisted gold bullion remained on a general downward trend towards the $285-$320 an ounce range, adding: "I wish I could find excuses to be bullish about the gold price. Being bearish is bad for business."

Other precious metals followed gold upwards. Silver closed in London last night at $513 an ounce, up $2, while platinum was $489, up $4.25.

On the London Metal Exchange, prices were marked down sharply early in the day in thin trading as nervous investors liquidated positions, some to take profits and some to raise cash to cover commitments in other markets.

Metal prices quickly recovered, however. "The (metals) market has had a fright from which it seems to have quickly recovered," commented Mr Angus MacMillan, research manager at Billiton-Enthoven Metals. "I don't see any major collapse in metals prices because of Wall Street's problems."

Although metals prices could generally be expected to drift downwards, he said: "We have not seen the end of copper yet – it is due for one more push before the end of the year – and the aluminium market looks as if it will be very tight in November," Mr MacMillan added.

Copper was helped yesterday by trade buying after a bigger-than-expected fall in LME warehouse stocks was revealed. They dropped by 13,575 tonnes to 89,300 tonnes last week.

Copper for immediate delivery closed £47 a tonne down at £1,842 last night, while three-month metal was down by £46 at £1,825.50 a tonne. Aluminium's cash price rose by $20 to $1,862.50 a tonne, and three-months metal was up $1.50 at $1,785.50 a tonne.

Nickel lost most of last week's gains but found support from the falling dollar and news of a 1,302 tonne fall in LME stocks last week.

Cash nickel fell by $72.50 to $10,375 a tonne by the close, while three-month metal was down $37.50 to $10,125 a tonne.

Quotas on EC cereal production suggested

Bridget Bloom, Agriculture Correspondent

RESTRICTIONS on cereals production – similar to those imposed on milk producers – is one measure the European Community could take to help farmers in the developing world, a new study declares.

Christian Aid, the charity sponsored by the British Council of Churches, believes farm policy reforms like quotas on milk production cut over-production and reduce competition with Third World suppliers.

International trade agreements should support the use of such qualitative controls and encourage all main producers to phase out export subsidies, Christian Aid says. It adds that the EC and other large exporters should not be allowed to export at prices below their production costs, while minimum world reference prices would help enforce such rules, it says.

The Christian Aid recommendations come in a new book, published yesterday, which tries to answer one of the current dilemmas of international politics – hunger and famine in many Third World countries in spite of ever increasing farm production elsewhere.

Hunger is caused by poverty rather than overall food shortages. Very small farms and landless peasants lack the means either to grow or to buy food, says Mr Clive Robinson, the book's author.

Simply increasing national food production does not solve the problem, because it does not increase the resources of the poorest groups - indeed, the green revolution in India by-passed the poorest and made middle-income, relatively well-educated farmers rather better-off.

Christian Aid believes that its own practical experience in the field shows that, with help, small farmers can take the initiative. However, "they have to operate within a framework set by national and international policy, and there is a great deal that governments can do to release constraints and help actively."

Christian Aid also calls for land reform, improved roads and transport in developing countries, and measures to alleviate Third World debt.

In a foreword, Lord Plumb, former President of the European Parliament, notes that the developed world "must guard against the illusion of solving their agricultural disputes at the cost of Third World producers."

Hungry Farmers. World food needs and Europe's response. Christian Aid, PO Box 100, London SE1 7RT. £4.95

Brussels tears strips off the bacon

The latest EC proposals have exasperated Britain's pig farmers

WHEN pig producers across the EC were suffering what was arguably the deepest and most sustained recession ever in their returns, governments and the Commission refused to bail them out. "You are overproducing," they were told, "Reduce numbers and your markets will improve."

The politicians were right, although the process took two years. Pig numbers have fallen, prices have risen to an all-time high, and production is currently very profitable. However, that same Commission and some of those same governments are now considering proposals to halve the levies on pigmeat imported from outside countries to increase EC supplies and cut prices in the shops. Is it any wonder that farmers who are the victims of such double standards are cynical about politicians?

A year ago the UK Average All Pigs Price (AAPP), a complicated formula calculated weekly by the Meat and Livestock Commission which forms the basis of most contracts between pig producers and slaughterers, stood at 92.18 pence per kilogram deadweight. A 70 kilo pig, after deductions for transport and handling, was therefore worth about £63 – significantly below its production costs.

In fact Mr Bob Ridgeon, who runs the highly respected pig-costing scheme based at Cambridge University, reckons that the average loss before interest charges then was between £2.50 and £3.50 per pig. Peak losses had been recorded the previous February, when every pig was losing between £4 and £5.

This week, however, the AAPP is 135.55 pence per kilogram (having peaked last week at 132.83 pence), and a 70 kg pig is now worth over £90. Spot trade in some markets where pigs were particularly scarce rose to over 140 pence per kg a few days ago, bringing values close to £100 per pig.

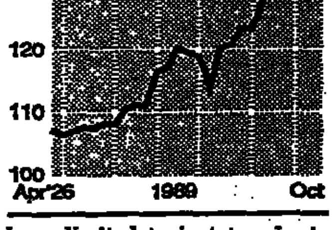
Feed costs have not increased significantly since last year so that average profitability, again according to the Cambridge University calculations, is about £30 per pig before interest charges. The high cost of money is a big factor, however, because overdrafts rose to often embarrassing levels during the bad years of 1987 and 1988, and the present level of profits have not held anything like long enough to pay off those debts.

That is why pig farmers are angry. Politicians, they perceive, are perfectly happy to use the legitimate arguments of supply and demand needing to be in balance and the pre-eminence of market forces while prices are low and the retail price index is benefitting. However, when those same forces work in reverse and the prices of pork and bacon appear to be fuelling inflation – however modestly – they immediately search for ways to limit the effects.

Unlike most other commodities, pigs have never been comprehensively protected or their prices guaranteed by the Common Agricultural Policy. The Community's pig regime has been limited to just two basic measures.

Pigmeat

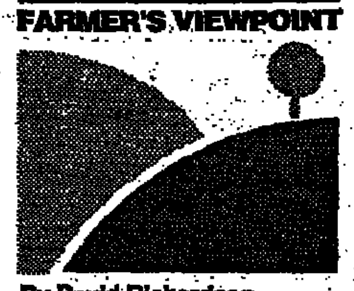
Baltic Futures Exchange, cash settlement pence per kilo (second position)



They are anti-dumping levies to inhibit Eastern Bloc countries in particular from flooding EC markets at below their production costs in their perennial quest for hard currency (the levies which it is now proposed should be cut) and aid for private storage, which is designed to help the slaughtering trade to keep limited quantities of pigmeat off the market for a few months during periods of oversupply. Even the Commission describes this regime as "light."

Back in the late autumn of 1987 – in the full knowledge that this "light" aid would do little to modify the trend of overproduction and falling prices which was already established – we on this farm decided to get out of pigs temporarily, to clean and refurbish our buildings and take the opportunity to re-stock with high-health status sows and boars. We accordingly ran down the herd over the next six months and were out of production during the worst of the losses.

FARMER'S VIEWPOINT



By David Richardson

We re-stocked with pregnant sows almost exactly a year ago and were ready to sell porkers again by February this year, as prices began to rise. There was perhaps as much luck as foresight in our decision, and we did of course limit losses during that period.

The effect on the farm's cashflow could not be ignored, however, and I would argue that we were responding to free market conditions in just the way the politicians advocated. Now it seems they want to change the rules.

Although I am well aware of the consumer resistance when prices rise to unacceptable levels, this has not been the case with pigmeat this year. Demand in the UK has held and in some cases has increased in spite of rising prices. Some commentators are suggesting that the average quality of UK pork is so good these days that it has escaped the price dragging effects of poultry meat (with all its salmonella associations) and is now considered alongside more expensive beef and lamb.

Higher prices are not only the result of a decline of 6 per cent to 7 per cent in the UK's national pig production therefore. They are also supported by strong sales – and the fact that a similar situation exists right across the Community.

Over the last few days, however, the EC's proposal to cut import levies – although they have not done it yet – has had a psychological effect on markets and pig prices have slipped a little, particularly in France and Holland. This has enabled UK buyers to obtain limited imports and has brought down spot prices here by a few pence per kilogram.

It is hardly a disaster when you consider the size of the present margins, but it indicates the power of the Commission to influence markets merely by a proposal – whether or not they act upon it.

The Brussels bureaucrats would probably claim that by their warning they have discouraged unbridled expansion pf pig production across Europe and thereby extended the period of profit within this cycle. They may be justified in that claim, although national herd numbers have so far held fairly steady in spite of the turnaround in fortunes.

It seems more likely that most pig producers lost so much during the two-year recession that they are more wary of expansion than in the past. Bank managers will undoubtedly also be keeping a tight rein on expenditure until overdrafts are much lower and interest rates come down.

Another factor limiting expansion is the expectation that in the near future Brussels will impose stringent regulations on the control of pollution and smell from all livestock. Compliance could cost even small pig farmers tens of thousands of pounds, and many will go out of business rather than meet such expenditure.

They will join the thousands who have already given up the struggle. Over the last ten years, the number of pig farmers in the UK has almost halved from 28,900 in 1978 to an estimated 15,500 now. Only 3,000 of those left have more than 50 breeding sows, the absolute minimum for a viable enterprise. The other 12,500 are therefore vulnerable to the next downturn in pig profits.

Platinum coin sales 'disappoint'

By David Blackwell

THE ROYAL Canadian Mint has suffered "a bit of a disappointment" with its platinum Maple Leaf coins, Mr Murray Church, vice-president of communications for the Mint, said in London yesterday.

Sales of the platinum coins have reached only 11,200 ounces so far this year. This compares with 64,200 ounces in the last six weeks of last year, immediately after the launch of the coin in November – equivalent to one third of the target for the full year.

Total sales of the coin now stand at just over 75,000 ounces.

The slump in sales came after US automobile manufacturer Ford announced last December that it was testing a platinum substitute for use in catalytic converters.

Platinum prices had not recovered since, said Mr Church, and investors had stayed away.

In contrast, the silver Maple Leaf, launched at the same time, has been a runaway success, and the Mint has been unable to keep up with demand, Mr Church said. So far 3.86m ounces have been sold.

The target for the first year was 800,000 ounces.

The gold Maple Leaf, which last month celebrated its 10th anniversary, sold 839,900 ounces to the end of September, comparable to sales last year and enough to give the Mint 55 per cent of the world market for gold bullion coins, Mr Church said.

Argentina forecasts 50% bigger harvest

By Gary Mead, in Buenos Aires

THE Argentine Grain Exchange has issued estimates that suggest the country is in for a bountiful harvest, with total production this year expected to be 50 per cent higher than the 1988/89 season.

The total cereal harvest is now predicted to yield almost 22m tonnes.

Wheat will be one of the leaders as usual, with an estimated 11.1m tonnes – up by 34 per cent over last season.

Maize is expected to rise by 64.8 per cent to 7m tonnes, and sorghum to increase by 70 per cent to 2.3m tonnes.

The biggest leap over last year is by soya, however, which is now expected to rise by 79.2 per cent, with a total harvest of 11.2m tonnes.

Argentine farmers would therefore appear to be bouncing back from the gloom of February this year.

At that time, the combination of a severe drought and highly uncertain political changes produced forecasts of a serious collapse in the sector.

The only cloud on the horizon at the moment appears to be the Peronist government's plans to introduce a higher rate of value added tax of 15 per cent, which will cover all goods and services, including agricultural produce.

That will not please the farming community. However, in the more stable political environment of the last two months, the higher rate of tax is unlikely to deter them from taking advantage of better prices and a more favourable exchange rate than they have been able to enjoy for some years.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA prices eased in London yesterday with near December particulairy weak as the net uncovered position continued to decline. In the last four days of last week the uncovered position fell by more than 4,600 lots; yesterday it was 21,000 lots – "still huge," said one trader. Yesterday London Fox doubled the margin calls for December cocoa from £100 to £200 a tonne. The move (and further increases in margins are in the pipeline) was prompted by concern that sufficient cocoa might not be available to meet the potential tonnage which could be delivered against the contract. Coffee prices also eased. Dealers said the stock market fall did not have any impact on coffee, which has been in a downtrend since July and was unlikely to figure as a profitable commodity for speculators to liquidate to fund losses elsewhere.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.30-6.40w	
Brent Blend	$19.40-9.55q	-0.10
W.T.I. (1 pm est)	$20.70-0.75q	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$209-211	-1
Gas Oil	$186-187	-2
Heavy Fuel Oil	$102-104	-1
Naphtha	$152-154	-3½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.00	+3.25
Silver (per troy oz)♣	513c	+2
Platinum (per troy oz)	$489.00	+4.25
Palladium (per troy oz)	$138.75	+2.25
Aluminium (free market)	$1880	
Copper (US Producer)	140⅝-141c	+3.5
Lead (US Producer)	40.5c	
Nickel (free market)	475c	-10
Tin (Kuala Lumpur market)	21.72r	-0.18
Tin (New York)	379.5c	
Zinc (US Prime Western)	80¼c	
Cattle (live weight)†	113.89p	-0.37*
Sheep (dead weight)†	192.59p	+5.28*
Pigs (live weight)†	105.35p	-1.78*
London daily sugar (raw)	$353.0v	
London daily sugar (white)	$396.0v	
Tate and Lyle export price	£338.5	-3.0
Barley (English feed)	£112.5x	+2.0
Maize (US No. 3 yellow)	£124.25	+0.25
Wheat (US Dark Northern)	£123.5	
Rubber (spot)♥	58.25p	-0.25
Rubber (Nov)♥	59.00p	-0.25
Rubber (Dec)♥	59.75p	-0.25
Rubber (KL RSS No 1 Nov)	219.5m	-10.0
Coconut oil (Philippines)§	$475y	+5
Palm Oil (Malaysian)§	$315.0	+2.5
Copra (Philippines)§	$310q	
Soyabeans (US)	£163q	-3
Cotton "A" index	82.65c	+0.10
Wooltops (64s Super)	605p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Jan/Mar. v-Nov/Dec. w-Dec. q-Nov. z-Jan/Feb†Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	727	741	744	726
Mar	713	720	724	707
May	722	731	733	717
Jul	737	747	745	733
Sep	752	763	762	750
Dec	777	790	787	774
Mar	800	813	808	797

Turnover: 8623 (5330) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 13 838.90 (834.32) ;10 day average for Oct 16 844.33 (846.19)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	717	735	736	708
Jan	674	685	679	665
Mar	683	696	686	672
May	700	708	701	688
Jul	715	720	715	711
Sep	735	745	735	728
Nov	753	765	755	748

Turnover: 3292 (3413) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 13: Comp. daily 60.28 (60.23). 15 day average 63.62 (64.01)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	315.80	-	315.00	315.00
Mar	311.00	316.40	314.80	308.20
May	305.80	311.00	309.20	304.00
Aug	300.00	305.00	303.00	299.00
Oct	290.60	294.80	293.00	289.20
Dec	288.00	-	285.00	
White	**Close**	**Previous**	**High/Low**	
Dec	388.00	391.00	400.00	388.00
Mar	388.00	390.50	387.00	
May	389.00	390.50		
Aug	396.00	398.50		
Oct	376.00	378.50		
Dec	370.00	370.50		
Mar	367.00	370.50		

Turnover: Raw 3852 (4058)lots of 50 tonnes. White 869 (1519)
Paris- White (FFr per tonne): Dec 2470, Mar 2477, May 2485, Aug 2585, Oct 2445, Dec 2365.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Dec	18.81	18.91	18.81	18.56
Jan	18.45	18.51	18.46	18.20
Feb	18.20	18.26	18.20	18.10
Mar	18.01	-	18.10	17.97
IPE Index	18.81	18.57		

Turnover: 10442 (12208)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Nov	180.25	181.75	181.00	176.75
Dec	177.00	179.50	178.25	174.00
Jan	174.00	176.25	174.75	171.25
Feb	169.25	171.75	170.00	168.00
Mar	165.50	167.50	167.00	164.50
Apr	162.50	163.50	164.00	162.25
May	162.00	161.75		
Jun	161.00	160.00		

Turnover 15183 (16288)lots of 100 tonnes

TEA

There were 19,721 packages on offer including 4,000 offshore, reports the Tea Brokers' Association. Demand continued strong and general. Better quality Assams sold at firm to dearer rates while medium descriptions met improved competition and advanced by 5p to 15p per kg. Bangladesh teas attracted less support. Africans again came to a strong market with prices generally 5p to 15p dearer. Ceylons sold readily and were fully firm to 5p dearer. In the offshore auction teas from a variety of origins met strong demand at dearer rates. Quotations: quality 220p (n/v), medium 170p (165p), low medium 148p (146p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 26,775 tonne
Cash	1860-5	1840-5	1860/1795	1860-5		
3 months	1785-6	1783-5	1796/1725	1780-5	1780-5	35,615 lots
Copper, Grade A (£ per tonne)						Ring turnover 58,525 tonne
Cash	1841-3	1888-90	1776/1772	1773-6		
3 months	1825-6	1871-2	1833/1758	1765-6	1824.5-6	71,220 lots
Lead (£ per tonne)						Ring turnover 11,775 tonne
Cash	473-5	487-8	476	475-6		
3 months	464.5-5	477-8	469/461	463-4	464-5	12,942 lots
Nickel ($ per tonne)						Ring turnover 1,434 tonne
Cash	10350-400	10425-70	10400/10300	10275-325		
3 months	10075-175	10150-75	10100/10000	10050-100	10075-100	6,317 lots
Tin ($ per tonne)						Ring turnover 810 tonne
Cash	8230-50	8240-50		8170-80		
3 months	8260-80	8260-80	8270/8210	8200-10	8220-60	5,758 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,750 tonne
Cash	1690-2	1680-5	1680/1647	1645-6		
3 months	1662-3	1667-70	1663/1615	1634-5	1645-50	14,132 lots
Zinc ($ per tonne)						Ring turnover 3,274 tonne
Cash	1600-10	1605-15	1600/1590	1590-2		
3 months	1585-95	1590-600		1570-5	1575-85	3,274 lots

LME Closing £/$ rate: SPOT: 1.5780 3 months: 1.5535 6 months: 1.5309 9 months: 1.5110

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Nov	127.0	132.5	130.0	126.0
Apr	202.0	208.0	206.0	199.5
May	226.0	235.0	227.0	

Turnover 335 (240) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Feb	143.00	144.50	142.50
Apr	141.50	143.50	

Turnover 16 (90)lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Oct	1537	1535	1540	1535
Nov	1607	1618	1617	1607
Jan	1623	1633	1632	1621
Apr	1646	1660	1656	1650
Jul	1405	1416	1410	
BFI	1509	1494		

Turnover 212 (404)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Nov	109.35	108.95	109.45	108.90
Jan	113.60	113.40	113.70	113.35
Mar	117.00	116.90	117.30	116.90
May	120.15	120.00	120.25	119.75
Jun	121.55	121.40	121.56	121.40
Barley	**Close**	**Previous**	**High/Low**	
Nov	107.30	107.00	107.35	107.00
Jan	111.15	110.90	111.25	110.65
Mar	114.30	114.00	114.35	113.75
May	115.95	115.70	116.00	115.95

Turnover: Wheat 605 (398), Barley 87 (341). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	134.0	133.5	
Nov	136.0	135.0	
Jun	120.0	121.0	119.0
Aug	115.5	116.0	115.0

Turnover 25 (16) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	366¾-367¼	231¾-232¼
Opening	367¾-368¼	231½-232
Morning fix	366.45	231.784
Afternoon fix	366.40	232.209
Day's high	368¾-369¼	
Day's low	365½-366	
Coins	**$ price**	**£ equivalent**
Mapleleaf	376-381	238-241
Britannia	376-381	238-241
US Eagle	376-381	238-241
Angel	376-381	238-241
Krugerrand	366-369	231-233
New Sov.	86-87	54¼-55
Old Sov.	86-87	54¼-55
Noble Plat	494.85-502.70	312.00-316.95
Silver fix	**p/fine oz**	**US cts equiv**
Spot	325.90	516.90
3 months	338.05	528.00
6 months	349.70	538.35
12 months	372.75	559.60

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1700	153	123	3	40
1800	72	69	22	84
1900	23	35	72	147
Copper (Grade A)	**Calls**		**Puts**	
2750	166	178	17	88
2850	96	128	46	146
2950	47	89	97	204
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
700	26	35	11	61
750	4	23	39	99
800	1	18	86	144
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	65	57	39	45
750	38	36	62	74
800	19	21	93	109
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1800	86		13	34
1850	50	47	27	66
1900	23	28	51	

US MARKETS

In the metals, gold prices rallied sharply in response to a declining U.S dollar, reports Drexel Burnham Lambert. December gold closed at 37120 up 390. Silver and platinum gained early on golds strength but eased later in the day. Copper sold off on stock market weakness and news of a strike settlement in Canada. In the softs trade and commission house activity pressured the sugar market as the March contract lost 32. Cocoa and coffee trading was featureless. The grains had very choppy action due to the nervousness surrounding the U.S. stock market. Nervous stock conditions also caused heavy liquidation in the livestocks as all markets closed lower. Cotton futures were lower as commission house activity was noted. The energy complex fell as scattered profit taking forced prices down.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	367.3	363.3	371.0	367.1
Nov	369.2	365.3	0	0
Dec	371.2	367.3	377.0	369.8
Feb	375.2	371.3	379.0	374.6
Apr	379.3	375.4	382.0	378.4
Jun	383.4	379.5	385.3	383.0
Aug	387.4	383.5	389.5	389.5
Oct	391.6	387.7	393.5	392.5
Dec	395.9	391.9	396.0	395.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	485.7	483.6	490.0	482.5
Jan	492.2	491.6	497.9	488.5
Apr	496.0	495.6	502.0	493.8
Jul	500.9	499.6	508.0	499.8
Oct	504.9	503.4	509.0	503.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	510.4	507.9	516.0	512.0
Nov	512.4	510.1	0	0
Dec	516.3	514.0	524.0	512.5
Jan	519.2	516.9	0	0
Mar	527.5	525.5	535.0	526.0
May	534.8	532.8	543.5	532.0
Jul	542.4	540.5	548.0	541.0
Sep	550.1	548.3	556.5	550.0
Dec	561.4	559.6	566.5	562.5
Jan	565.1	563.2	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 13	Oct 12	mnth ago	yr ago
1879.4	1872.5	1901.5	1839.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.25	128.97	129.48	134.11
Futures	129.87	129.86	130.69	139.03

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	129.10	132.60	129.10	128.80
Nov	128.20	131.60	0	0
Dec	127.45	130.50	129.85	125.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	20.75	20.89	20.78	20.35
Dec	20.47	20.53	20.52	20.04
Jan	20.16	20.19	20.18	19.75
Feb	19.94	19.96	19.94	19.55
Mar	19.75	19.77	19.75	19.33
May	19.40	19.45	19.40	19.10
Jun	19.28	19.29	19.25	19.08

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	6075	6087	6090	5930
Dec	6115	6129	6125	5975
Jan	6070	6079	6080	5932
Feb	5945	5944	5950	5815
Mar	5690	5700	5700	5590
May	5270	5295	5270	5255
Jun	5145	5180	5145	5145
Jul	5100	5135	5100	5070
Aug	5150	5185	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	966	997	994	962
Mar	995	1008	1000	982
May	1010	1017	1017	1008
Jul	1033	1039	1027	1027
Dec	1074	1082	1075	1070
Mar	1098	1103	1102	1085

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	70.42	70.80	70.65	69.01
Mar	72.80	72.65	72.85	71.00
May	74.50	74.70	74.85	73.60
Jul	77.00	76.90	77.00	75.50
Sep	79.25	78.70	78.50	78.35
Dec	82.00	82.25	82.00	81.70
Mar	84.50	85.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	14.00	14.04	0	0
Mar	13.97	14.29	14.22	13.94
May	13.71	13.98	13.91	13.66
Jul	13.51	13.78	13.71	13.48
Oct	13.15	13.38	13.32	13.07
Mar	12.78	12.90	12.80	12.88

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	74.45	74.70	74.55	72.95
Mar	75.70	75.83	75.80	74.35
May	76.20	76.65	76.30	75.10
Jul	76.25	76.50	76.30	75.20
Oct	69.90	70.29	69.85	69.65
Dec	68.60	67.33	0	66.10
Mar	67.40	67.75	67.00	67.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	131.80	132.10	133.00	131.25
Jan	128.30	129.00	128.75	127.85
Mar	128.50	129.15	128.75	127.50
May	128.55	129.50	129.50	128.50
Jul	129.00	129.50	0	0
Sep	129.10	129.50	0	0
Nov	129.10	128.50	0	0
Mar	129.10	129.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	547/0	544/2	548/4	540/0
Jan	558/4	555/0	560/0	551/0
Mar	571/0	567/4	572/0	563/4
May	580/4	577/2	581/4	573/4
Jul	586/4	583/4	587/2	578/4
Aug	585/4	584/0	587/0	578/0
Sep	571/0	570/0	574/4	568/0
Nov	570/4	568/6	571/4	564/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.07	17.98	18.10	17.80
Dec	18.40	18.27	18.44	18.13
Jan	18.62	18.50	18.65	18.35
Mar	19.04	18.90	19.06	18.78
May	19.41	19.30	19.47	19.21
Jul	19.82	19.70	19.85	19.60
Aug	19.87	19.78	19.95	19.70
Sep	20.00	19.80	20.15	19.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	184.6	183.9	184.8	183.0
Dec	178.7	178.3	179.0	176.3
Jan	177.8	177.4	178.0	175.5
Mar	176.6	176.6	177.3	175.2
May	176.5	176.2	0	174.5
Jul	175.5	176.0	0	174.0
Aug	174.2	175.0	175.0	173.5
Sep	174.1	174.5	175.0	173.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	236/2	234/0	237/0	231/4
Mar	242/2	239/4	242/6	237/0
May	246/6	244/2	247/2	241/4
Jul	248/6	246/0	249/4	244/0
Sep	241/2	239/2	242/0	237/0
Dec	237/2	235/6	237/6	233/0
Mar	244/4	243/0	245/0	241/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	410/6	406/6	411/0	403/6
Mar	407/6	404/2	408/0	401/0
May	386/6	384/0	387/4	380/4
Jul	357/0	354/2	357/0	351/0
Sep	361/0	358/0	361/0	355/4
Dec	373/0	368/0	373/0	371/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.36	73.50	73.37	72.60
Dec	74.17	74.95	74.35	73.55
Feb	74.27	74.92	74.85	73.70
Apr	74.47	75.12	74.80	73.62
Jun	71.60	72.22	71.65	71.20
Aug	70.00	70.70	70.40	69.95

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	47.37	48.87	48.10	47.37
Dec	45.40	46.62	46.00	45.15
Feb	45.02	45.83	45.20	44.40
Apr	42.80	42.85	42.85	41.80
Jun	47.32	47.70	47.35	46.50
Jul	47.57	47.90	47.65	46.50
Aug	46.55	46.90	46.90	45.90
Oct	42.62	42.97	42.60	42.30

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.62	51.20	50.75	49.50
Mar	50.32	50.82	50.35	49.25
May	50.55	51.30	50.55	49.60
Jul	50.15	50.67	50.95	49.00
Aug	48.20	48.22	48.90	46.70

LONDON STOCK EXCHANGE

Heavy losses cut sharply at the close

THE UK stock market closed a memorable day's trading in relatively good shape yesterday, with the final loss of more than 70 Footsie points or 3.15 per cent comparing favourably with an earlier major setback which reached to more than 200 points (9 pc) as London reacted to Friday's plunge on Wall Street. The roller coaster performance of the second half of the session was fuelled entirely by the unexpected upswing in early trading on Wall Street.

At its final reading of 2,163.4, the FT-SE Index was 70.5 points off, but this substantial fall, indicating a substantial loss on share values, was only half the story. A heavy mark down in shares, before the first Footsie calculation, implied a *loss of more than 200 Footsie* points, according to dealers. The first official calculation of the Index showed a drop of 157 points, which was extended to 204.2 at mid-session when the Footsie stood at 2,029.7.

Account Dealing Dates		
*First Dealings:		
Oct 2	Oct 16	Oct 30
Option Declarations:		
Oct 12	Oct 26	Nov 9
Last Dealings:		
Oct 13	Oct 27	Nov 10
Account Day:		
Oct 23	Nov 6	Nov 20

*New time dealings may take place from 9.00 am two business days earlier

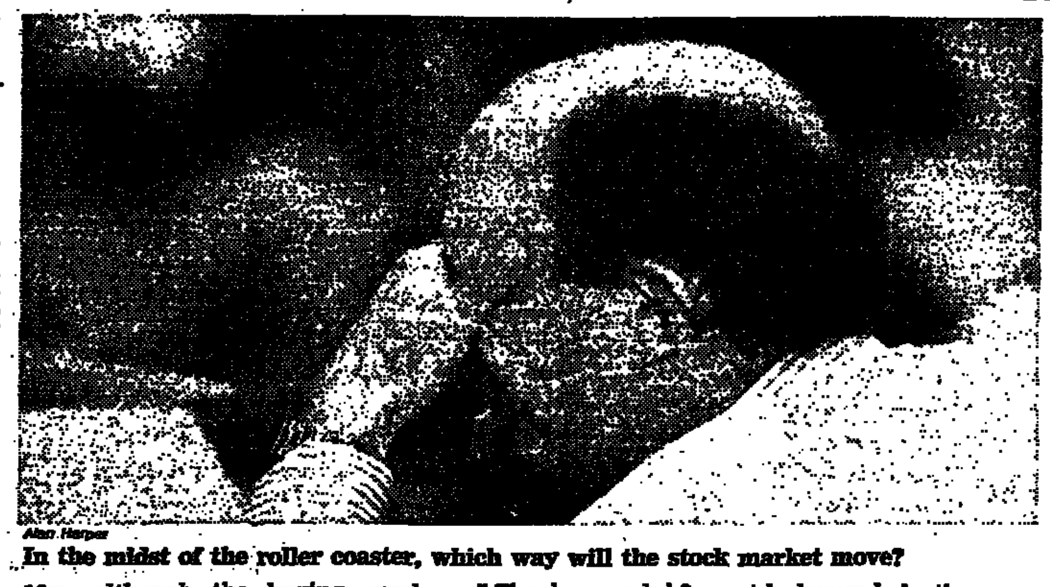
The reversal of the trend did not get under way until quite late in London's trading day and was further delayed when one newsagency continued to show the Dow in heavily minus territory for some time after its upturn.

Turnover was very heavy, with both institutions and market makers trading the market and sustaining both heavy losses and substantial profits. The gyrations in the Footsie created *a tension-filled session* with widely varying fortunes for share prices. Seaq volume at 959.3m shares compared with recent daily averages of below 600m.

The heaviest falls came in takeover stocks, both actual and speculative, and especially where junk bond financing was suggested. BAT Industries, BTR and Scottish & Newcastle all fell sharply. The general setback masked an expected *flight to quality with the banks* and financial issues outperforming the rest of the equity sector.

The market was led for much of the session by the progress of the FT-SE Index *futures contract for December*, which held firm in early dealings, but then plunged to a discount of 25 points against the underlying Index, only to recover to a 30 point premium. The futures market, in its turn, reacted violently to market tales that Wall Street would open lower, higher, lower than feared, or higher than expected.

By the end of the day, relieved dealers were adamant that there was no replay of the dramas of the 1987 Crash. Trading systems suffered no strain, telephones were answered and normal share quoting maintained. While still prepared to be cautious, London traders *sounded almost optimistic last* night. "If Wall Street holds its recovery, then all this could just become another inverted pimple on the market charts, said Mr Ian Stephenson at Salomon International.



Alan Harper

In the midst of the roller coaster, which way will the stock market move?

with 22m shares changing hands. BP were 9 down at 299p, after 291p, on turnover of 23m, while Shell gave up 15 to 426p on 9.7m.

Recent market speculation that SHV, the Dutch group, has been increasing its stake in Burmah Oil was confirmed yesterday by an announcement that the SHV holding has gone up from a previously unannounced but widely known 4.3 per cent to 6.7 per cent. But dealers were surprised by the amount of stock SHV had bought. As one specialist put it; "it seems that SHV are going to exert pressure on Burmah to do a deal of some sort over Calor – something is going to happen here pretty soon."

The market re-ran the recent batch of stories on the relationship between SHV, Burmah, Calor and Premier. Apart from its holding in Burmah, SHV has a 44 per cent stake in Calor and a holding of around 4 per cent in Premier. Burmah has a 29.9 per cent stake in Premier.

Burmah closed 16 off at 613p, ex dividend, after 599p, while Calor lost 14 to 412p and Premier 5¼ to 96p.

Speculation that Continental, the West German tyre maker planned to lift its month-old 10 per cent stake in Kwik-Fit, the British car parts retailer, reduced the fall in the shares to 3, or 2.1 per cent, at 135p. One dealer estimated turnover to have been about 2¼m shares.

Hawker Siddeley, whose interim results are expected tomorrowheld its ground and having dipped as the market opened rallied to close the day at its opening price of 642p.

Mr Paul Compton, analyst at UBS Phillips & Drew was not surprised by Hawker Siddeley. He said: "The share has traditionally out performed in periods of market uncertainty. It is what I call a Cinderella stock. A lot of things have to go wrong for Hawker Siddeley to go wrong."

Reuters was showing one of the biggest falls of the day when the market was at its lowest point. As well as fact that Reuters' is largely traded in the US, the price was hit by fears that a crash could eliminate some of the customers for the company's screen-based financial services.

As New York turned better, the price recovered most of the 122 deficit to end 37 down on the day at 878p, a fall of 4 per cent, just more than the market average.

Weekend Press reports that British Aerospace (BAe) and Thomson-CSF are holding talks with a view to merging their guided weapons systems proved spot on with the two companies making a joint announcement in mid-morning. *The two groups are also* involved in a joint manoeuvre which could lead to a bid for Ferranti the troubled UK defence electronics company. BAe shares, hit by the overall market slump, retreated to 519p at one point before rallying strongly to close a net 27 off at 558p after turnover of 5.9m.

Ferranti, pursued strongly last week when a raid by Hoare Govett, the broker, was followed up by BAe revealing a 1.7 per cent stake in Ferranti, held up relatively well to close only a net penny down at 56p on turnover of 8.2m.

Frederick Cooper shares retreated 16 to 120p, but the market picked up whispers towards the close that a near 5 per cent stake changed hands at the end of last week in only *two transactions of 1m share* apiece.

Newman Tonks is known to have a 4.7 per cent stake in Cooper, while similar stakes are held by a couple of Scottish institutions. Observers said a bid for Cooper from Newman Tonks would be on the cards if is the buyer of the 2m shares last week. Newman Tonks lost 16 to 159p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

Jaguar turnover of 19m

Jaguar experienced heavy trading on the London market. Volume reached to 19m, surpassing the 15m figure three weeks ago when Ford Motor of the US confirmed it wanted to buy a 15 per cent stake in the British luxury car maker. The shares suffered a 4.4 per cent drop, closing down 30 at 648p, a sharper decline than the market average in common with other stocks that have been subject to bid stories.

Early heavy demand was said to have come from the US, with Ford, which now holds 5 per cent of Jaguar, suspected to be the buyer. There was also heavy demand from the UK as bargain hunters moved in.

Mr Steve Reitman, analyst at UBS Phillips & Drew said: "Jaguar is central to Ford's strategy of boosting its presence in the luxury segment and it will not be easily discouraged by any friendly discussions."

Rise in DRG stake

Bermuda-based Pembridge Investments, run by Mr Roland Franklin, took advantage of the opening mark down in shares to buy heavily into its bid target DRG. Pembridge has offered 590p a share, and it quickly picked up more than 5.3m DRG shares substantially below that level. The buying took the Pembridge holding to 29.9 per cent, the maximum permitted before the first closing date for its offer tomorrow.

Analysts came to the conclusion that this latest move sharply increased the likelihood of DRG's takeover by Pembridge. Mr John Kenny at BZW said: "There is substantially more value in DRG than meets the eye."

Turnover in DRG reached 16m, although the buying interest did not stop the shares posting a sharper fall than the wider market. They ended at 569p, 32 below Friday's close and a decline of 5.3 per cent.

The resilience and defensive qualities of the UK's leading banks and insurance groups were put to the test with both sectors coming out well. The big four banks provided one of the day's outstanding performances in NatWest, shares of which dropped to 270p before picking up sufficiently to display a minor gain and eventually closing unchanged on the session at 309p; turnover was 8.1m shares. Dealers said the shares were boosted by hopes of a good outcome to the proposed sale of Yorkshire Bank in which NatWest has a 40 per cent stake, the largest of the four present owners. Barclays, with 32 per cent of Yorkshire, settled 11 off at 483p, after 435p, while Lloyds, with 20 per cent, were only 3 off at 380p at the close, after 345p. Royal Bank of Scotland with 8 per cent of Yorkshire eased 2 to 167p, after 151p.

Insurances showed Legal & General 4 off at 337p, and Prudential unchanged at 189p, after 176p, the best supported issues. Refuge lost 20 to 544p with news that the French group Athena has increased its holding to 9.34 per cent tending to be overlooked in the general market scrum.

All eyes were on BAT Industries as the market opened. It was widely tipped to suffer badly because the price has been inflated by a bid from Hoylake, run by Sir James Goldsmith, the financier.

Dealers were not surprised when the shares crashed more than £1 near the opening. "The Americans slaughtered them," exclaimed one dealer. BATs touched a low of 699p before recovering to end down 60 at 758p, still a decline of more than 7 per cent.

The flight into quality helped Hanson. Some 27m shares changed hands as the price fell just 3¼ to 213p, or 1.5 per cent. It had bottomed at 189p. "There was buying all the way through the rally," said one dealer.

ICI was another to benefit from the "it will not go bust syndrome." The shares ended 8 lower at 1172p.

Food stocks broke with form of previous sharp market falls. Normally the sector is considered defensive – even in hard time people buy food. But sector prices had recently been inflated by bid speculation, and many reacted particularly sharply. Most recovered lost ground, however, in the late rally to post falls in line with the market average. RHM was an exception, ending down 23, or 5.2 per cent, at 416p.

Asda, crumpled to 130p at its low point before recovering to finish 8 down at 151p, a fall of 5 per cent. As the market closed, dealers said that top agency broker Cazenove had cut its forecast for profits in the current year from £241m to £210m and from £280m to £240m for next year, citing problems integrating chilled and frozen food distribution networks.

At the market's lowest point, AB Foods revealed itself as the seriously defensive haven among foods. Analysts said that the company was net cash and the only food major to be trading at a discount to its net asset value. However, the stock was overlooked in the late rally and recover only from its low of 376 to 383p, still a net 14 (3.5 per cent) down on the day.

With a larger than average selection of potential bid targets, the brewery sector saw some particularly large falls in early market jitters. By the closed, however, among leaders only Scottish & Newcastle, down 15 to 370p, showed a decline of significantly more than the market average.

Guinness put in a sterling performance, recovering from a low of 543p to close just 4½ down xd at 596p a fall of 0.75 per cent. "The boys are trying to pick up quality stocks cheaply," explained one dealer.

Shares in Bennett & Fountain, the electrical retailer, more than halved during the morning's epic activity. The slump, although exaggerated by the overall market retreat, reflected the announcement made after the close of trading on Friday, that the group expects a "significant pre-tax loss for the year", as well as no final dividend. The group said plans for a management buy-out had proved abortive.

Bennett's share price collapsed to 28p at one point, before rallying and ending the session a net 21 lower at 44p.

The Bennet& Fountain story also upset Amstrad, due to report preliminary figures today. Analysts expect Amstrad to come up with pre-tax profits in the region of £80 to £90m, compared with last time's £160.4m, but some have already lowered their forecasts for 1990 to the £50m mark. Amstrad shares dropped to 38p before a wave of concerted buying drove them back up to close only marginally easier on the day at 51p; turnover in the shares totalled 4.5m.

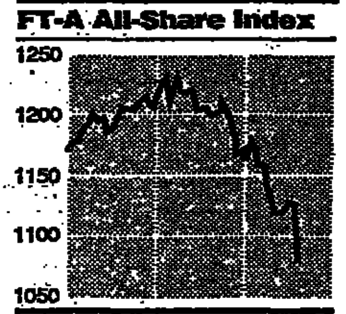
The front-line electronics and telecoms issues see-sawed all day. Perceived to have *strong defensive qualities* – strong markets, cash flow and yield, British Telecom dropped to 252p but then rallied to close a net 8½ lower at 265p on turnover of 20m shares.

Racal Electronic, where turnover topped 13m, slumped to 210p before being aggressively supported and pushed up at the close to 230p, down 13 on the day. GEC, on turnover of 10m, settled only 7 off at 224p, after 217p. Cable & Wireless were one of the sector's worst casualties early on, the shares dropping to 468p prior to settling 24 off at 499p, after turnover of 9m.

So-called takeover stocks were in free-fall for much of the day before stabilising near the end of a dramatic day. Unitech, where Doctor Tito Tettamanti, the Swiss Arbitrageur, and his associates now speak for over 15 per cent of the shares, gave up 26 to 334p. VG Instruments, 63 per cent owned by BAT Industries, fell 41 to 404p.

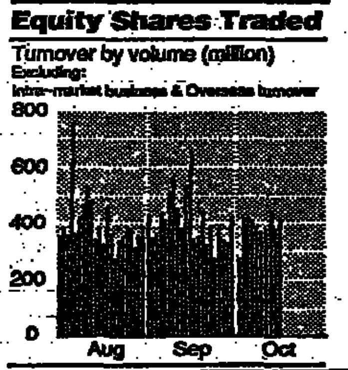
Oil and gas stocks were given a rough ride. In big turnover British Gas dropped away to 191p before picking up to close a net 4½ easier at 199p

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Oct 16	Oct 13	Oct 12	Oct 11	Oct 10	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.27	83.79	83.67	83.83	83.91	88.86	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.77	94.06	93.89	94.28	94.86	97.57	99.59 (15/3)	93.77 (12/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1780.3	1815.0	1817.7	1797.3	1798.7	1510.9	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	184.9	204.7	204.8	208.2	208.2	174.1	215.2 (28/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2163.4	2233.9	2237.8	2218.8	2218.8	1860.0	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.65	4.51	4.50	4.54	4.54	4.59				
Earning Yld %(full)	11.18	10.85	10.83	10.93	10.93	11.57				
P/E Ratio(Net)(☆)	10.78	11.11	11.13	11.03	11.03	10.47				
SEAQ Bargains(5pm)	57,410	26,312	23,431	30,419	28,298	28,812				
Equity Turnover(£m)†	-	983.70	832.21	1212.52	876.27	1002.23				
Equity Bargains†	-	26,515	24,313	30,230	26,310	28,596				
Shares Traded (ml)†	-	413.9	365.1	444.6	386.7	395.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.70

Ordinary Share Index, Hourly changes — Day's High 1780.3 — Day's Low 1648.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1689.3	1707.9	1701.5	1673.7	1658.2	1667.1	1687.6	1719.6

FT-SE, Hourly changes — Day's High 2163.4 — Day's Low 2029.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2076.8	2101.9	2091.5	2057.2	2038.1	2053.1	2078.7	2123.1

GILT EDGED ACTIVITY

Indices*	Oct 11	Oct 12
Gilt Edged Bargains	81.9	84.9
5–Day average	90.9	94.2

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group ♦	15,900	151	-8
Abbey National	12,875	141½	-3½
Allied-Lyons ♦	4,900	478	-16
Amstrad	4,500	51	-1
Argyll Group	611	220	-2
Ass. Brit. Foods	586	383	-13½
BAA	3,580	326	-11
BAT Inds.	9,700	758	-60
BET	5,100	263	-2
BICC ♦	1,400	449	-15
BOC ♦	3,448	463	-19
BPB Inds.	3,300	216	-13
BTR ♦	22,000	421	-13
Barclays	6,700	483	-11
Bass	1,500	965	-30
Blue Circle ♦	5,250	215	-4
Boots ♦	7,000	265	-16
Brit. & Comm.	2,500	119	-15
Brit. Aerospace	5,900	558	-27
British Airways ♦	7,100	193	-11
British Gas ♦	21,990	199	-4½
British Land	528	314	-13
BP ♦	23,000	299	-9
British Steel	20,800	125	-2½
British Telecom ♦	20,000	265	-8½
Burmah Oil	3,300	613	-16
Burton	8,500	184	-15
Cable & Wireless	8,970	499	-24
Cadbury Schweppes ♦	6,275	344	-18
Carlton Comms.	1,100	793	-51
Commercial Union	2,800	440	-7
Costain	2,300	303	-11

Stock	Volume 000's	Closing Price	Day's change
Courtaulds ♦	2,800	337	-6
Dalgety	1,600	381	-15
Dixons	2,500	115	-6½
Eng. China Clays	1,100	385	-29
Enterprise Oil	2,050	579	-24
Fisons	6,800	319	-10
General Accident	1,200	991	-39½
General Elect. ♦	9,900	224	-7
Glaxo ♦	4,750	1415	-35
Globe Inv.	1,300	172	-10
Glynwed Int.	951	226	-16
Granada	1,200	317	-4
Grand Met. ♦	8,775	546	-23
GUS A	722	1015	-39
GRE	5,900	218	-4
GKN ♦	1,600	384	-10
Guinness ♦	7,900	596	-5
Hammerson 'A'	304	750	-36
Hanson ♦	27,000	213	-3¼
Harrisons & Cros.	4,300	149	-4½
Hawker Siddeley ♦	775	642	
Hillsdown Hldgs.	6,900	256	-21½
IMI	987	283	-7
Imp. Chem. ♦	6,100	1172	-8
Inchcape	1,300	244	-15
Jaguar	18,500	649	-29
Kingfisher	4,750	272	-12
Ladbroke	7,700	297	-8
Land Securities	3,300	506	-10
Laporte	354	459	-14
Legal & General	3,100	337	-4
Lloyds Bank	4,400	380	-5

Stock	Volume 000's	Closing Price	Day's change
LASMO	2,400	497	-20
Lonrho	9,100	244	-15
Lucas ♦	3,050	597	-29
MB Group	691	170	-12
MEPC	1,700	496	-15
Marks & Spencer ♦	12,000	184	-3
Maxwell Comm.	1,450	197	-3
Mecca Leisure	4,400	164	-5
Midland Bank	4,700	318	-15
Nat. West. Bank ♦	8,100	309	
Next	3,600	95	-6
Northern Foods	649	304	-8
Pearl	2,900	619	-21
Pearson	696	670	-14
P & O ♦	3,600	584	-35
Pilkington	8,500	210	-9
Polly Peck Intl.	3,200	290	-19
Prudential	7,400	189	
RHM	3,675	416	-23
RMC	1,800	604	-28
RTZ	6,500	511	-16
Racal	13,800	230	-13
Rank Org.	1,150	846	-26
Reckitt & Colman	897	1132	-9½
Redland	2,000	468	-19
Reed International	2,500	375	-14
Reuters	2,600	878	-37
Rolls Royce	10,000	172	-3½
Rothmans	1,000	638	-24
Royal Bk of Scotland	2,100	167	-2
Royal Insurance ♦	3,900	459	-6
STC	1,900	282	-14

Stock	Volume 000's	Closing Price	Day's change
Saatchi & Saatchi	3,030	305	-29
Sainsbury	2,500	249	-5
Scott & Newcastle	4,925	370	-15
Sears	5,700	103	-4
Sedgwick	1,000	256	-6
Shell Transport	9,700	425	-15
Siebe	716	490	-19
Slough Ests	537	294	-15
Smith & Nephew	5,850	125½	-4
SmithKline Beecham ♦	6,000	535	-27
Smiths Industries	812	249	-18
Standard Chartered	2,100	493	-20
Storehouse	3,000	123	-5
Sun Alliance	1,500	287	+½
T&N	1,300	186	-11
TI Group	763	346	-22
TSB	6,900	105½	-4
Tarmac	4,300	238	-3
Tate & Lyle ♦	961	264	-5
Taylor Woodrow	826	259	-14
Tesco	5,200	151	-2
THORN EMI ♦	3,200	726	-35
Trafalgar House	4,300	327	-14
Trusthouse Forte ♦	6,300	301	-10
Ultramar	4,300	329	-11
Unilever	5,450	630	-19
United Biscuits	4,675	356	-10
Utd. Newspapers	519	415	-32
Wellcome	1,400	609	-17
Whitbread 'A'	1,400	346	-3
Williams Hldgs.	2,500	223	-8½
Wimpey	2,100	229	-8

♦ Constituent of the FT Ordinary Share Index

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (4).
BRITISH FUNDS (1) Treas. 2pc IL '90, LOANS (1) BANKS (1) Guinness Mahon, TRUSTS (1) Rorento NV.
NEW LOWS (1,036).
BRITISH FUNDS (1) AMERICANS (3) CANADIANS (1) BANKS (27) BREWERS (7) BUILDINGS (86) CHEMICALS (18) STORES (58) ELECTRICALS (94) ENGINEERING (81) FOODS (27) HOTELS (6) INDUSTRIALS (208) ASD, Do. 8pc Prf, Aaronson, Airsprung, Alexander (W), Allied Part., Alumasc, Amberley, Apollo Watch, Arley, Armour Tst., Assoc. Br. Eng., Avon Rbbr., BBA, Do 6.7pc Prf, BLP, Bear Brand, Beaverco, Beazer, Beckenham, Benlox, Bestwood, Bibby, Black Arrow, Black (P), Bodycote, Brammer, Bridport-Gundry, Br. Bloodstock, Br. Syphon, Brown & Tawse, Bullers, Burndene, Bus. Tech., CH Inds., CMB Pckg., Cannon Street, C'bell & Armstrong, Celestion, Cent. Sheerwood, Chestergate, Co of Designers, Coated Elect., Comm. Hospital, Contin. Stationery, Copymore, Cornwell Parker, Corton Beach, Courtney Pope, Cowan de Groot, Creighton Nat., Crests, Darby, Dauphin, Delaney, Dinkie Heel, Diploma, Dobson Park, Doctus, Dolphin Pack., Dyson (J & J) A, Economic Foresty, Eeco, Elswick, Eng. China Clays, Ensor, Erskine Hse 7¼% Pf, Excalibur, Fenner (JH), Fergabrook, Fobel, Forwell, French (T), G C Floor & Furn., GR, Gieves, Grampian, Granada, Do 7½% Conv., Gt. Sthn., Hafslund Nyco. Free A, Halle Homes, Hampson Inds, Do 6.5p Pf, Hanson Wrrts., Harding, Harris (P), Harlows, Havelock Europe, Hawtal Whiting, Hewitn, Hestair, Holders Tec., Hunting 8¼% Pf, Hyman, ISS B, Ibex, Intereurope Tec, J S Path., Johnson Matthey, Johnston Grp, Jourdan (T), Just Rbbr., Kalon, Kitty Little, Kleen-E-Ze, Lilleshall, Lilly (Eli), Lincoln Hse., Do Wrrts, Lodge Care, Lon Fin & Invs, Low & Bonar, MB, MY, Mainmet, Maxiprint, Mayflower, McLeod Russ., Metal Clos., Mid Kent, Do Wrrts, Minty, MITIE, Monks & Crane, NMC, Do 7.75 Pf, NMW Comps., Nobo, Norcros, Oakwood, Office & El., Opt. & Med., PCT, Pacer Systs, Pentland, Pergamon AGB, Pilkington, Polymark, Porth, Powell Duffryn, Quotient, Record Hgs., Reliant, Relyon, Rexmore, Rock, Rockware, Sale Tilney, Sanders & Sidney, Savage, Scot Her. Tst, Scott Robertson, Sec Archives, Select Appoints., Shaw (A), Sheldon Jones, Silentnight, Sketchley, SmKl. Beecham A, Do Equity Units, Do Loan 90/92, Smiths Inds, Spandex, Spectrum, Spong, Sprlng Ram, Stag Furn, Stainless Metal., Sterling Inds, Suter, Swallowfield, Sycamore, Sykes Pickavant, TLS Range, Tamaris, Do 8½% Pf, Third Mile, Titon, Tomkins 5.5% Pf, Trafus, Tubular Exhibits., UDO, Unigroup, Unilock, Utd Guarantee, Vinten, Wade Potts, Walker Greenbank, Warner Howard, Wassall, Waterford Wedg., Welpac, West Inds, Westerly, Whitecroft, Whittington, Widney, Wilraire, Do Conv Pf, Williams Hgs., Do 8p Pf, Do 5½% Cv Pf, Wills, Wilshaw, Wood(A), Worcester, Yale & Valor, Young (H), INSURANCE (11) LEISURE (38) MOTORS (27) NEWSPAPERS (7) PAPERS (53) PROPERTY (181) SHOES (2) SOUTH AFRICANS (1) TEXTILES (25) TRANSPORT (19) TRUSTS (98) OILS (17) OVERSEAS TRADERS (9) PLANTATIONS (1) MINES (30) THIRD MARKET (21).

TRADED OPTIONS

Large business in Footsie

The London Traded Options Market had one its busiest day since the crash of 1987 as the market was thrown into confusion by the roller coaster ride on *the underlying stockmarket*. Dealing in the FT-SE 100 index option was hectic; not surprisingly, it was the busiest contract with nearly 30,000 lots changing hands, more than four times Friday's level.

Options trading was dominated not only by the gyrations on the stock market but also by movements in the stock futures. During the morning, the FT-SE futures contract on the London International Financial Futures Exchange led the way, while in the afternoon attention focused on the S&P 500 futures contract in Chicago.

The initial sharp decline by the London stockmarket, prompted *buying of* put options as some investors attempted to hedge their holdings of shares against further declines. But there were also some optimists who bought call options on the belief that the stockmarket *had fallen too* far.

The FT-SE opened 157 points lower setting the tone for the day's trading. The sharp early stock market fall and the flurry of activity meant that it took more than 30 minutes for all of the FT-SE options to begin trading, more than twice the usual length of time for the market to start-up. The individual company stock options began trading immediately.

But by midday the trend in the market had swung towards institutional and professional *buying of puts as speculation* spread through the market that the New York stock market would open as much as 5 per cent down. This prompted market makers to sell puts and FT-SE futures contracts.

This speculation coincided with the FT-SE dropping to its low of the day, down almost 204 points. "When the rumour of the big fall on the Dow emerged, the options market looked as if it was going into *freefall. There was a lot of* panic buyers of put options," one options salesman said.

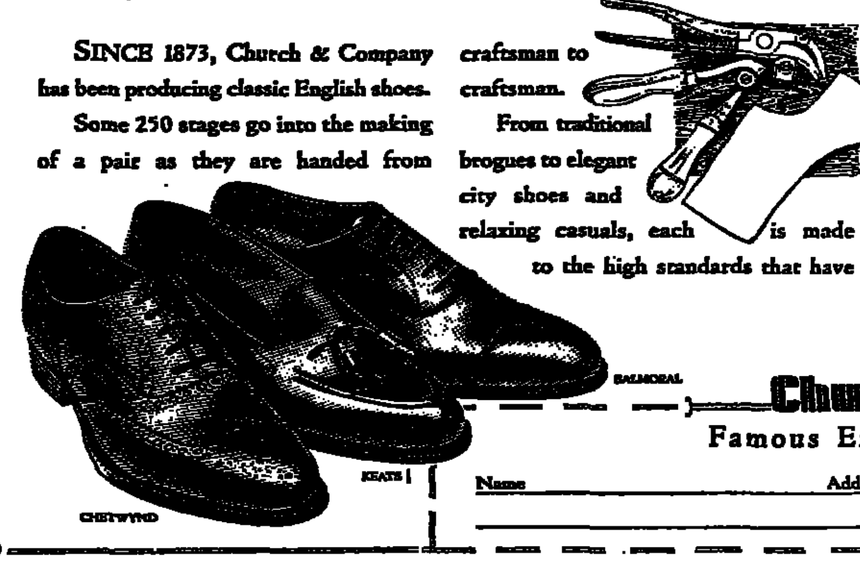
At first, the New York market looked as if would fulfil all the bearish predictions. But led by a swift reversal in the Chicago futures market, the Dow Jones staged a stunning U-turn and dragged the London markets with it. The FT-SE closed down 70.5 points at 2,163.4, on heavy turnover.

Traders said that sentiment in the options market changed rapidly throughout the day, with the initial bearishness eventually replaced at the close with a cautious neutral stance. However, buying of FT-SE calls remained light.

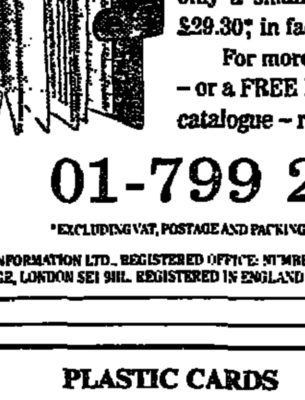
Throughout the day, some traders complained of the difficulty of executing large options orders. But others said that as long as investors were willing to pay the higher premiums, all deals would be transacted. Mr Tony De Guingand, director of the Traded Options Market, said the market had been more professional *than during the crash of* 1987 and trading had been orderly.

Despite the turbulence on the stock market, the larger institutions appeared not to have been big users of the options market yesterday. Mr *Michael Payne* of Legal and General said the larger institutions had completed their portfolio hedging in advance of Monday's large drop.

Provisional turnover figures showed 92,942 options contracts had changed hands. But the LTOM said the final figure could be more than 100,000, which would make it the busiest day in its history.



High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	295	Ass. Brit. Ind. Ordinary	335	-7	10.3	3.1	9.0
38	28	Armitage and Rhodes	30	0	-	-	-
210	149	Bardon Group (SE)	160	-15	4.3	2.7	15.5
125	103	Bardon Group Cv. Pref. (SE)	103xd	-7	6.7	6.5	-
123	80	Bray Technologies	80	-5	5.9	7.4	7.1
110	105	Bremhill Conv. Pref	105	0	11.0	10.5	-
104	100	Bremhill 8¼% New C.C.R.P	104	0	11.0	10.6	-
305	285	CCL Group Ordinary	288	0	14.7	5.1	3.6
176	168	CCL Group 11% Conv.Pref	170	0	14.7	8.6	-
225	140	Carbo Plc (SE)	210	-10	7.6	3.6	12.4
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	2.25	Magnet Gp Non-Voting A Cnv*	2.25	-0.50	-	-	-
5	1	Magnet Gp Non-Voting B Cnv*	1.0	-0.125	-	-	-
130	119	Isis Group	125	-3	8.0	6.4	7.1
145	58	Jackson Group (SE)	100	-16	3.6	3.6	11.6
322	261	Multihouse NV (AmstSE)	295	-25	-	-	-
158	98	Robert Jenkins	155	-3	10.0	6.5	5.6
467	365	Scruttons	377xd	0	18.7	5.0	10.0
300	270	Torday & Carlisle	299	-1	9.3	3.1	10.4
117	100	Torday & Carlisle Cnv Pref	110	0	10.7	9.7	-
122	84	Trevian Holdings (USM)	84	-13	2.8	3.3	9.0
150	106	Unistrut Europe Conv Pref	150xd	0	9.3	6.2	-
395	355	Veterinary Drug Co. Ltd	370	-7	22.0	5.9	9.4
378	325	W.S Yeates	325	-6	16.2	5.0	27.1



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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	58.77	59.39	63.19	.....	4.34
Gilts & Fixed Int	6	107.8	107.8xd	114.3	.....	8.75
High Inc Equity	6	130.8	133.4xd	142.0	.....	4.47
Worldwide Bond	6	205.4	205.4	217.7	.....	4.87
Capital Growth						
American Growth	6	211.4	213.3	227.0	.....	0.84
Asian Pacific	6	119.3	121.6	129.43	.....	1.00
Assets & Earnings	6	156.1	156.1	167.0	.....	2.22
Capital Reserve Acc	0	86.94	86.94	87.01	.....	4.60
Capital Reserve Inc	0	77.13	77.18	77.25	.....	5.18
Comdty & Energy	6	112.7	115.8xd	123.2	.....	1.54
1992 Enterprise	6	59.34	60.45	64.31	.....	1.99
Euro Capital Acc	6	99.08	99.82	106.2	.....	0.71
Euro Capital Inc	6	95.53	96.25	102.4	.....	0.73
General	6	175.0	175.0xd	187.2	.....	2.67
International	6	56.91	57.76	61.45	.....	0.81
Japan	6	122.3	123.3	131.2	.....	0.00
MasterTrust	6	93.07	93.07	99.55	.....	1.71
UK Growth Acc	6	188.9	188.9xd	202.1	.....	1.39
UK Growth Dist	6	124.7	124.7xd	133.4	.....	2.10
US Emerging Cos	6	58.00	58.00xd	62.04	.....	0.00
Income & Growth	6	299.0	305.0	324.5	.....	3.16
Ethical	6	46.64	46.64	49.89	.....	2.00

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5½	33.65	33.65	35.93	-1.34	2.79
European	5½	74.56	74.56	79.59	-2.81	0.00
European Income	5½	70.60	70.60	75.36	-2.46	2.46

Buckmaster Mangmt Co Ltd—Contd.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	144.0	148.9	158.0	-18.5	4.54
(Accum Units)	5	280.9	280.3	308.0	-26.3	4.54
International	5	110.9	110.9	117.3	-13.0	3.3
(Accum Units)	5	152.5	152.5	161.3	-17.9	3.3
Smaller Co's	5	95.65	95.65	101.1	-14.0	2.63
(Accum Units)	5	105.1	105.1	111.1	-16.3	2.63
Inv Portfolio	2½	49.07	50.90	52.47	-4.04	3.83
(Accum Units)	2½	50.94	52.84	54.47	-4.19	3.83
High Income Port	3	44.32	44.70	46.32	-2.83	6.78

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sht Dtd Gilt & FI	1¼	54.36	54.36	55.15	.....	12.86

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
F & B Sel Intl Grth	5½	52.19	52.19	56.27	-0.32	1.39

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	49.01	49.01	53.58	-5.08	2.23
Global Tst	5½	44.10	44.10	48.88	-2.32	2.01
Recovery Tst	5½	43.54	43.54	48.62	-5.05	1.92

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	103.0	104.7	110.4	-7.2	4.38

CIS Unit Managers Ltd
PO Box 105, Manchester M60 0AH 061 837 5060

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth		94.34	94.34	100.0	.....	–
UK Income		94.34	94.34	100.0	.....	–

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America F	5	64.12	64.12	68.21	-5.01	1.38
CS International F	5	60.00	60.00xd	63.82	-3.42	1.62
CS Japan F	5	152.6	152.6	162.3	-2.7	0.18
CS Portfolio Inv & F	5	64.30	64.30	68.40	-4.18	2.45

Canada Life Unit Tst Mngrs Ltd (1200)F
High St, Potters Bar, Herts, EN6 5BA 0707 51122

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	133.9	136.7	143.9	[illegible]	3.22
Do Gen Accum	5	226.0	230.9	243.1	[illegible]	3.22

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA 01-588 3963

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	117.8	117.8	125.3	.....	2.75
PM Income & Gth	5	97.68	97.68xd	103.9	.....	4.21
PM Nth Amer Gth	5	64.14	64.14	68.23	.....	1.10
PM European Gth	5	62.67	62.83	66.83	.....	0.66
PM Japan Gth	5	81.22	81.37	86.56	.....	0.28
PM Overseas Gth	5	57.70	57.70	61.38	.....	0.43

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; # - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	14.71	14.71	15.64	-2.57	0.00
Pacific Basin	5	29.13	29.13	30.98	-2.5	0.60
Can Balncd Grth ♦	5	50.23	50.23	53.43	-3.20	0.10
Ginnie Mae ‡	4	0.9795	0.9795	1.0203	[illegible]	7.61
Penny Share	5¼	25.74	25.74	27.38	-3.33	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	124.4	124.4	132.8	-2.6	5.56
Wellington Growth	5¼	219.0	219.0	232.2	-10.3	1.40
Wessex Asset Management (1330)H						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	98.7	102.3	106.5	—	2.96
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ‡ F	2¼	59.96	59.96	61.47	-0.72	0.27
Short Dtd Gilt ♦ F	1¼	81.28	81.28	82.31	+0.06	6.89
U.S. Govmt Bond ♦ F	1¼	5.5722	.5722	.5798	[illegible]	0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	198.1	200.7	213.5	—	2.47
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Growth & Equity	5	57.05	60.39	64.24	-4.27	7.38
European	5	74.21	74.52	79.27	-4.42	0.10
Far Eastern	5	64.72	73.25	77.92	+1.89	0.56
Growth Inc	5	69.49	73.15	77.82	-11.2	1.73
Growth Acc	5	69.56	73.23	77.89	-11.2	1.73
Income Inc	5	71.80	74.66	79.42	-7.26	5.35
Income Acc	5	71.90	74.76	79.53	-7.25	5.34
Property Share	5	44.25	44.25	47.16	-3.22	1.20
Smaller Co's	5	44.37	44.37	47.30	-7.27	2.01
Nth American	5	65.53	65.53	70.07	-5.34	1.57
International	5	47.29	47.29	50.57	-4.28	1.48
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	119.57	119.57	125.87	—	3.73
UK Growth	5	91.83	91.83	96.66	—	3.10
UK Income	5	95.16	95.16	100.17	—	4.49
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602290						
Yorkshire General	5¼	52.42	52.42	58.17	-4.50	3.10
YUTM UK Eqty Inc Td	5¼	53.20	53.20	58.36	-3.88	5.12
YUTM Intl Gwth Tst ‡	5¼	56.70	56.70	60.50	-1.90	.74

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield
Baillie Gifford & Co Ltd				
Int'l Expt Oct 4	560.4	581.9	—	0.67
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Sept 30		341.15	—	4.71
Fxd Int Sec Sept 30		138.15	—	10.35
Deposit Sept 30		100.00	—	13.61
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc Oct 11	160.4	164.5	-3.00	9.74
C'inco Acc Oct 11	674.3	691.4	-4.30	9.74
C'share Inc Oct 11	154.7	160.5	-3.90	3.79
C'share Acc Oct 11	171.2	177.7	-6.50	3.79
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Sept 30		517.27	—	4.95
Accum Sept 30		1750.42	—	—
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American Oct 11	159.5	163.9	+8.5	1.28
Managed Oct 11	145.2	150.6	-0.4	1.91
Japan Oct 12	157.6	161.9	+3.5	0.19

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Intl Fxd Int Fd Acc(z)	209.3	220.2	—	—
Fixed Int Acc(z)	344.8	362.8	—	—
Gtd Money Fd Acc(z)	240.9	253.5	—	—
High Income Fd Acc(z)	118.6	124.8	—	—
Intl Man Fd Acc(z)	435.0	457.9	—	—
Japan Fd(z)	311.8	328.2	—	—
UK Smllr Co's Fd Acc(z)	113.0	118.9	—	—
Europhia Metro	121.7	128.0	—	—
Global Metro	110.9	116.7	—	—
Sunrise Metro	128.0	134.7	—	—
UK Metro	109.6	115.3	—	—
Nth American Fd Acc(z)	217.6	229.0	—	—
Pac Basin Fd Acc(z)	168.6	177.4	—	—
Prop Fd Acc(z)	351.9	370.4	—	—
Millennium	97.8	102.9	—	—
Multiple Inv Acc(z)	728.6	766.9	—	—
Pension Funds				
Brit Blue Chip Acc(z)	152.2	160.1	—	—
Eq Pen Fd Acc(z)	2034.6	2141.7	—	—
Euro Fd Acc(z)	375.7	395.4	—	—
Fixed Int. Acc.(z)	713.7	751.2	—	—
Gt Money Pn Acc(z)	440.4	463.5	—	—
High Interest	149.3	157.1	—	—
High Income Fd Acc(z)	124.8	131.3	—	—
Intl Man Fd(z)	673.7	709.1	—	—
Jap Pen Fd Acc(z)	446.0	469.4	—	—
UK Smllr Co's Fd Acc(z)	117.8	123.9	—	—
Europhia Metro	135.7	142.8	—	—
Global Metro	119.2	125.4	—	—
Sunrise Metro	145.6	153.2	—	—
UK Metro	117.1	123.2	—	—
N Am Pn Fd Acc(z)	276.9	291.4	—	—
Pac Basin Fd Acc(z)	206.1	216.9	—	—
Property(z)	623.2	656.0	—	—
Mtple Inv Pens Acc(z)	1490.1	1568.5	—	—
Broker Funds				
Prof Pen Fd	98.1	103.2	—	—
YRA Strategy	128.2	134.9	—	—
YRA Performance	109.9	115.6	—	—
Langham Dollar (SE)	143.7	151.2	—	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	267.7	281.8	—	—
Equity Acc	887.5	934.3	—	—
Property Acc	515.0	542.2	—	—
Far East. Acc	222.1	233.8	—	—
European Acc	25.9	27.3	—	—
Managed Acc	697.8	734.6	—	—
Managed Cap	393.7	414.5	—	—
O'seas Earnings Acc	587.7	618.7	—	—
Gilt Edged Acc	311.2	327.6	—	—
American Equity Acc	500.9	527.3	—	—
American Man Acc	230.5	242.7	—	—
American Prop Acc	151.5	159.5	—	—
Pen. F.I. Dep. Cap	296.0	311.6	—	—
Pen. F.I. Dep. Acc	513.0	540.1	—	—
Pen. Prop. Cap	603.6	635.4	—	—
Pen. Prop. Acc	1155.9	1216.8	—	—
Pen. Man. Cap	848.1	892.8	—	—
Pen. Man. Acc	1622.6	1708.0	—	—
Pen. Gilt Edg. Cap	311.4	327.8	—	—
Pen. Gilt Edg. Acc	487.9	513.6	—	—
Pen. Eq. Cap	1391.8	1465.1	—	—
Pen. Eq. Acc	2018.0	2124.3	—	—
Pen. Am. Eq Cap	173.0	182.2	—	—
Pen. Am. Eq Acc	211.4	222.6	—	—
Pen. Far East Cap	270.5	284.8	—	—
Pen. Far East Acc	330.6	348.0	—	—
Pen. Euro Cap	32.5	34.3	—	—
Pen. Euro. Acc	35.8	37.7	—	—
Pen. B.S. Acc	564.4	592.7	—	—
Pen. B.S. Cap	334.8	351.6	—	—
Pen. D.A.F. Acc	394.3	395.9	—	—
Pen. D.A.F. Cap	262.6	262.6	—	—
Pen. Mortgage Cap	151.1	159.1	—	—
Pen. Mortgage Acc	184.7	194.5	—	—
Barbag Funds				

INSURANCES

[illegible]

Continued on next page

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Premium Life Assurance Co Ltd

Prudential Holborn Pensions Ltd—Contd.

Scottish Equitable Life Assce. Soc.—Contd.

Skandia Life Assurance Co Ltd—Contd.

Target Life Assurance Co Ltd-Contd.

Roxborough Financial Management Ltd

Rothschild Asset Management—Contd.

Royal Bank of Canada Funds

Wardley Investment Services—Contd.

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (SIB RECOGNISED)

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	95	Treas 5pc 1986-89	99	.....	–	–
99	98	Exch 10¼pcCv '89	99	.....	–	–
101	99½	Treas 13pc 1990‡‡	99	+	13.04	13.51
132	124	Treas 2pc IL '90(84.6)	132	+	2.09	9.98
99	98	Exch 11pc 1990‡‡	99	+	11.10	13.52
101	99	Exch. 12½pc 1990	99	+	12.56	13.74
95	91	Treas. 3pc 1990	95	+	3.14	11.28
97	95	Treas 8¼pc 1987-90‡‡	96	+	8.54	13.83
98	95	Treas. 8pc Cv 1990 ‡‡	96	+	8.30	13.12
98	96	Treas. 10pcCv 1990	97	+	10.31	13.21
93	87	Exch 2½pc 1990	92	+	2.70	9.756
101	98	Treas 11¾pc 1991	98	+	11.91	12.88
93	89	Funding 5¾pc '87-91‡‡	92	+	6.21	11.35
90	86	Treas. 3pc 1991	90	+	3.33	10.05
100	95½	Treas 10pc Cv '91 ‡‡	96½	+	10.38	12.40
101	96	Exch. 11pc 1991	97	+	11.26	12.35
94	91	Treas. 8pc 1992	92	+	8.70	12.33
106	100	Treas 12¾pc 1992‡‡	102	+	12.51	11.72
99½	95	Treas 10pc 1992	96	+	10.39	11.82
94	90	Treas. 8pc 1992 ‡‡	92	+1	8.69	11.77
100	96	Treas 10½pc Cv 1992‡‡	97	+1	10.76	11.61
85	82	Treas. 3pc 1992	84	+	3.57	10.01
105	100	Exch. 12¼pc '92	101	+1	12.07	11.57
109	103	Exch 13½pc 1992	105	+1	12.87	11.45
94	90	Treas 8¼pc 1993	91	+1	9.01	11.31
100	95	Treas 10pc 1993‡‡	96	+1	10.35	11.19
108	102	Treas 12½pc 1993‡‡	104	+1	12.02	11.14
88	84	Funding 6pc 1993‡‡	85	+	7.03	10.68
113	107	Treas 13¾pc 1993‡‡	108	+1	12.67	11.08
94	89	Treas. 8½pc 1994	91	+1	9.31	11.07
117	111	Treas 14½pc 1994‡‡	112	+1½	12.90	10.85
113	107	Exch 13½pc 1994	108	+1	12.44	11.04

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	94	Conversion 9½pc 2004	96	+	9.84	9.95
103	94	Conversion 9½pc 2005	98	+2	9.82	9.92
111	102	Exch. 10½pc 2005	106	+2	10.03	9.91
125	115	Treas. 12½pc 2003-05	119	+2	10.62	10.12
90	82	Treas. 8pc 2002-06‡‡	86	+2	9.42	9.84
105	97	Conversion 9¾pc 2006	100	+2	9.84	9.86
118	109	Treas. 11¾pc 2003-07	113	+2	10.53	10.13
96	87	Treas 8½pc 2007 ‡‡	91	+2	9.45	9.69
134	123	Treas. 13½pc '04-08	127	+2	10.71	10.05
101	92	Treas. 9pc 2008 ‡‡	95	+2	9.53	9.64
92	84	Treas 8pc 2009	87	+2	9.30	9.58
102	93	Conv 9pc Ln 2011 ‡‡	96	+2	9.50	9.57
68	62	Treas. 5½pc 2008-12‡‡	64	+1	8.64	9.39
89	82	Treas. 7¾pc 2012-15‡‡	84	+2	9.34	9.54
132	121	Exch. 12pc '13-'17	124	+2	9.80	9.59

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45	41	Consols 4pc	42	+	9.52	–
40	36½	War Loan 3½pc‡‡	37	+	9.36	–
70	60	Conv. 3½pc '61 Aft	63	+	5.54	–
41	31	Treas. 3pc '66 Aft	33	+	8.99	–
30	25	Consols 2½pc	26	+	9.39	–
29½	25	Treas. 2½pc	26	+	9.48	–

Index-Linked

1989 High	Low	Stock	Price £	+ or –	(1)	(2)
112	103	Tr. 2pc '92‡‡(97.8)	110	+	2.87	4.06
105	94	Do. 2 '94 (102.9)	102	+1	3.07	3.69
155	139	Do. 2pc '96(67.9)	151½	+1	3.08	3.50
130	118	Do 2½pc '01(78.3)	128	+1	3.41	3.69
127	115	Do. 2½pc '03(78.8)	125	+1	3.49	3.73

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	N'wide Anglia 11pc 6.11.89	99	+	11.83	14.78
100	98	Do. 12pc 4.12.89	99½	+	12.37	15.09
100	99	Do. 12pc 2.1.90	99	+	12.88	14.90
100½	98	Do. 12pc 29.1.90	99	+	12.67	14.91
100	98	Do. 12pc 26.2.90	99	+	12.80	14.88
100	98	Do. 12pc 19.3.90	99	+	12.97	14.72
100	99	Do. 13pc 23.4.90	99	+	13.46	14.72
100	98	Do. 13pc 14.5.90	99	+	13.10	14.69
100	98	Do. 13pc 4/6/90	99	+	13.78	14.65
100	99	Do. 14pc 2.7.90	99	+	14.36	14.65
100	98	Do. 13pc 23.7.90	99	+	13.74	14.65
100	98	Do. 13pc 13.8.90	99	+	13.57	14.61
107	98½	Do. 3¾pcIL Ln 2021	106	+1	4.21	4.30

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	43	Met. Wtr. 3pc 'B'	46	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	48	.....	3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	48	.....	3	17.50
45	40	Do 4pc Mixed Ass.	46	.....	2	15.00
80	65	Hung. '24 Ass.	88	.....	2.75	13.57
139	128	Hydro Quebec 15pc 2011	131	+2	15.00	11.14
128	118	Iceland 14½pc Ln 2016	122	+2	14.50	11.69
97	91½	Ireland 9¾pc '91-96	92	+	9.75	11.40

AMERICANS

Continued on next page

Five to Fifteen Years

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

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AMERICANS—Contd

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Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

1989 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
		For Tullow Oil see Oils & Gas							
113	60	UPL Group 10p	γ	60	–15	2.75	1.9	6.1	11.3
150	133	Unit Group	γ	134	–10	5.0	3.3	5.0	7.6
100	66	Video Magic Leis. 1p	γ	72	–11	W2.0	0.7	3.7	57.7
14	4½	Vista Ents 5p	γ	5½	–1½	–	–	–	–
40	21	Vizcava Hldgs 5p	γ	25	–7	–	–	–	–
46½	23	Whitegate Leisure 20p	γ	35½	–2	–	–	–	–
32½	10	Do. Wrrnts.	γ	25	–2	–	–	–	–
10¼	5	Wilton Group 1p	γ	5½	–¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or –
Albany Inv 20p	γ	86xd	–10
Craig & Rose £1	γ	830	..
Finlay Pkg. 5p	γ	63	–8
Holt (Jos) 25p	γ	1345xd	–6

IRISH

Stock		Price	+ or –
Cap. 8½% Ln. 1991		£97½	+¼
9pc Cap Ln. 1996		£99	+1½
Fin. 13% 97/02		£119	+1
Arnotts		380	–70
Carrol (P.J.)	γ	138	–20
Hall (R. & H.)		170	–5
Heiton Hldgs.	γ	90	–3
IRG		217	–11
United Drug		133	–3

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	39
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	52
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	68
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds.	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	88
Reed Intnl	34
STC	32
Sears	18
Smithkline Bchm. A	58
TI	38
TSB	18
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Stock	p
Brit Land	32
Land Securities	52
MEPC	58
Randsworth	28

Oils

Stock	p
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Stock	p
Cons Gold	158
Lonrho	39
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar moves with Wall Street

VOLATILITY on the world's stock markets may have achieved very quickly something the main central banks have been trying to do for some time.

Mr Chris Tinker, currency analyst at UBS Phillips and Drew, believes the dollar has now lost its attraction for the markets and will stabilise. He thinks central banks will discontinue their recent intervention against the dollar, reasoning that a precarious financial situation would be further destabilised by attempts to push the currency lower.

Sentiment was at the mercy of the equity markets yesterday, with swings in the value of currencies reflecting volatile movements in share prices on Wall Street, Tokyo and throughout Europe. There was only passing interest in economic data from the US and UK.

Fears of another sharp fall in US share prices - after Friday's drop of 190.58 points in the Dow Jones Industrial Average - led to selling of the dollar in Tokyo and Europe. The possibilities of a flight out of US assets and moves by the Federal Reserve to cut interest rates led to demand for other currencies, notably the D-Mark.

The dollar fell below DM1.8400, but rallied as prices on Wall Street moved up, to close at DM1.8650 in London, against DM1.8910 on Friday. There was a similar performance in terms of the yen, with the dollar falling to a low of Y140.30, before finishing at Y141.85, compared with Y143.25 previously. Against the other main currencies the dollar retreated to SFr1.6350 from SFr1.6615 and to FFr6.3375 from FFr6.4150. The dollar's index fell to 69.8 from 70.7. A fall of 0.1 per cent in September US industrial production was as expected, and was virtually ignored.

Sterling was also caught to the trauma of the world's stock markets. The pound rose 1.10 cents to $1.5750, but fell against most other major currencies.

Rises of 1.5 per cent in August UK industrial production, and 0.7 per cent in manufacturing output allayed some of the fears of a recession, while an unchanged rise of 0.4 per cent in September retail sales was in line with expectations.

However, the impact on the markets was marginal. Sterling touched a low of DM2.9200, but rallied as London share prices halved early losses, to close at DM2.9375 against DM2.9575 on Friday. The pound also fell to Y223.50 from Y224.00; to SFr2.5750 from SFr2.5975; and to FFr9.9825 from FFr10.0825. Sterling's index declined 0.3 to 89.0.

European central banks sold D-Marks yesterday to ease pressure on the weaker members of the European monetary system. The Bank of France intervened as the West German currency moved above FFr3.40, compared with FFr3.3933 on Friday.

The Danish krone traded very nervously at the bottom of the EMS, but the lack of a realignment of the system at the weekend lifted it above Friday's low. As pressure mounts within the EMS, the Belgian franc and Italian lira also appear vulnerable to a devaluation

£ IN NEW YORK

Oct.16	Latest	Previous Close
£ Spot	1.5860-1.5870	1.5805-1.5815
1 month	0.84-0.85pm	0.86-0.85pm
3 months	2.39-2.36pm	2.49-2.47pm
12 months	8.38-8.28pm	9.00-8.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.16	Previous
8.30 am	89.0	89.5
9.00 am	88.8	89.5
10.00 am	88.8	89.4
11.00 am	88.9	89.4
Noon	89.0	89.3
1.00 pm	89.0	89.2
2.00 pm	88.9	89.1
3.00 pm	88.9	89.3
4.00 pm	89.0	89.3

CURRENCY RATES

Oct.16	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.23857	1.42632
U.S Dollar	7	1.25806	1.11160
Canadian $	12.46	9.34739	1.30835
Austrian Sch.	6½	16.8442	14.4386
Belgian Franc	10¼	50.5866	43.0995
Danish Krone	10½	9.34739	8.00074
Deutsche Mark	6.00	2.39308	2.05090
Neth Guilder	7.00	2.71489	2.31524
French Franc	10¼	8.17362	6.97139
Italian Lira	13½	1754.99	1509.77
Japanese Yen	3¼	180.972	156.513
Norway Krone	8	8.85800	7.66559
Spanish Peseta	-	152.200	130.869
Swedish Krona	9½	8.22016	7.13536
Swiss Franc	6.00	2.10222	1.79746
Greek Drach.	20½	211.278	182.880
Irish Punt	-	0.900025	0.771141

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Oct.13

CURRENCY MOVEMENTS

Oct.16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.0	-21.8
U.S Dollar	69.8	-7.4
Canadian Dollar	104.6	+1.7
Austrian Schilling	107.7	+10.5
Belgian Franc	106.9	-5.5
Danish Krone	104.9	-0.7
Deutsche Mark	115.0	+21.8
Swiss Franc	107.3	+15.3
Guilder	111.8	+14.2
French Franc	100.8	-14.6
Lira	98.7	-1.5
Yen	138.2	+67.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Oct.13.

OTHER CURRENCIES

Oct.16	£	$
Argentina	1027.00-1035.25	650.00-655.00
Australia	2.0900-2.0925	1.3165-1.3175
Brazil	6.7180-6.7535	4.2520-4.2730
Finland	6.7245-6.7370	4.2780-4.2800
Greece	257.70-261.85	163.00-165.65
Hong Kong	12.3630-12.3760	7.8100-7.8120
Iran	116.90*	71.20*
Korea(Sth)	1063.85-1080.95	668.70-673.90
Kuwait	0.47300-0.47470	0.30000-0.30100
Luxembourg	61.60-61.70	39.10-39.20
Malaysia	4.2620-4.2725	2.6900-2.6920
Mexico	4103.05-4124.35	2602.00-2612.00
N. Zealand	2.7110-2.7160	1.7100-1.7130
Saudi Ar.	5.9130-5.9155	3.7500-3.7510
Singapore	3.0870-3.0940	1.9505-1.9525
S. Af (Cm)	4.1980-4.2115	2.6400-2.6450
S. Af (Fn)	6.0605-6.1785	3.8240-3.8985
Taiwan	40.65-40.75	25.65-25.70
U.A.E.	5.7840-5.7930	3.6720-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0995	+1.51	+1.05	±1.5424
Danish Krone	7.85212	8.00074	+1.89	+1.43	±1.6419
German D-Mark	2.05853	2.05090	-0.37	-0.09	±1.1019
French Franc	6.90403	6.97139	+0.98	+0.52	±1.3719
Dutch Guilder	2.31943	2.31524	-0.18	-0.28	±1.5019
Irish Punt	0.768411	0.771141	+0.36	-0.10	±1.6689
Italian Lira	1483.58	1509.77	+1.77	+1.77	±4.0815
Spanish Peseta	133.804	130.869	-2.19	-2.19	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Oct.16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5700-1.5910	1.5745-1.5755	0.90-0.87cpm	6.74	2.46-2.43pm	6.21
Canada	1.8545-1.8675	1.8560-1.8570	0.52-0.44cpm	3.10	1.31-1.19pm	2.69
Netherlands	3.30-3.32¼	3.31¼-3.32¼	2-1⅞cpm	7.01	5½-5⅜pm	6.56
Belgium	61.35-61.80	61.60-61.70	30-27cpm	5.55	80-75pm	5.03
Denmark	11.38½-11.45½	11.41¼-11.42¼	3¾-3⅜orepm	3.74	9⅞-9⅛pm	3.35
Ireland	1.0090-1.1085	1.1045-1.1055	0.45-0.40pm	4.62	1.20-1.10pm	4.16
W. Germany	2.92-2.94	2.93½-2.94	1⅞-1⅝pfpm	7.14	4⅞-4⅝pm	6.55
Portugal	249.45-251.30	250.60-251.60	47-27cpm	1.77	12-45dis	-0.45
Spain	186.65-187.30	186.90-187.20	19-8cpm	0.87	43-25pm	0.73
Italy	2147-2163¼	2162¼-2163¼	5-4lirepm	2.50	14-13pm	2.50
Norway	10.90¼-10.96½	10.93-10.94	3⅞-3⅛orepm	3.98	9⅞-9⅛pm	3.52
France	9.92¾-9.99¾	9.97¾-9.98¾	4½-4¼orepm	5.26	12⅛-11¾pm	4.78
Sweden	10.13½-10.20	10.16¼-10.17¼	3⅛-2⅞orepm	3.54	8⅛-7⅝pm	3.10
Japan	222¼-224	223-224	1⅞-1⅝ypm	9.40	4⅞-4⅝pm	8.39
Austria	20.45-20.70	20.67-20.70	11⅞-10⅞gropm	6.60	33½-29⅝pm	6.07
Switzerland	2.56¼-2.58	2.57-2.58	1⅝-1½cpm	7.28	4⅜-4⅛pm	6.60
ECU	1.4315-1.4430	1.4315-1.4325	0.59-0.56cpm	4.82	1.57-1.52pm	4.32

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 61.85-61.95 Six-month forward dollar 4.68-4.63cpm 12 months 8.50-8.40cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5700-1.5910	1.5745-1.5755	0.90-0.87cpm	6.74	2.46-2.43pm	6.21
Ireland†	1.4265-1.4440	1.4265-1.4275	0.25-0.20cpm	1.88	0.85-0.75pm	2.22
Canada	1.1730-1.1775	1.1765-1.1775	0.34-0.37cdis	-3.62	1.02-1.07dis	-3.55
Netherlands	2.0765-2.1140	2.1055-2.1065	0.07-0.05cpm	0.35	0.15-0.11pm	0.25
Belgium	38.65-39.20	39.10-39.20	3.50-5.00cdis	-1.31	10.00-13.00dis	-1.18
Denmark	7.17¼-7.30¼	7.24¾-7.25¼	1.75-2.00oredis	-3.13	5.20-5.55dis	-2.99
W. Germany	1.8395-1.8750	1.8645-1.8655	0.09-0.06pfpm	0.49	0.14-0.11pm	0.27
Portugal	158.45-159.75	159.25-159.35	70-80cdis	-5.70	270-300dis	-7.22
Spain	117.35-119.40	118.75-118.85	55-65cdis	-6.11	160-170dis	-5.60
Italy	1354-1373½	1373-1373½	4.60-5.10liredis	-4.28	12.50-13.50dis	-3.83
Norway	6.89¾-6.96	6.94-6.94½	1.60-1.85oredis	-3.00	4.95-5.25dis	-2.96
France	6.25¼-6.35½	6.33½-6.34	0.70-0.80cdis	-1.43	2.25-2.55dis	-1.53
Sweden	6.40-6.47¾	6.45¼-6.45¾	1.65-1.80oredis	-3.23	5.05-5.30dis	-3.23
Japan	140.30-142.00	141.80-141.90	0.33-0.31ypm	2.72	0.84-0.81pm	2.34
Austria	12.95¾-13.12½	13.12-13.12½	0.15pm-0.35grdis	-0.09	0.20pm-1.30dis	-0.17
Switzerland	1.6120-1.6430	1.6345-1.6355	0.12-0.09cpm	0.78	0.31-0.26pm	0.70
ECU	1.1010-1.1045	1.1035-1.1045	0.19-0.18cpm	2.01	0.54-0.51pm	1.90

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.25-39.35.

EURO-CURRENCY INTEREST RATES

Oct.16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14⅞	14⅞-14¾	15-14⅞	15-14⅞	14⅞-14¾	14⅝-14½
US Dollar	8⅞-8⅝	8⅝-8½	8½-8⅜	8½-8⅜	8⅞-8⅜	8⅜-8¼
Can. Dollar	12-11⅞	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	11⅞-11⅞	11⅞-11½
D. Guilder	8⅛-8	8⅛-8	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8
Sw. Franc	7½-7¼	7⅝-7⅜	7⅞-7⅞	7⅞-7⅝	7⅞-7⅝	7⅞-7⅞
Deutschmark	8-7¾	8-7¾	8-7¾	8-7¾	8⅛-7⅞	8-7⅞
Fr. Franc	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞
Italian Lire	12-10	13-12	12⅝-12⅛	12½-12	12⅛-12	12⅝-12¼
B. Fr. (Fin)	9⅝-9½	9⅞-9⅞	9⅝-9½	9⅝-9½	9⅝-9½	9¾-9⅝
B. Fr. (Con.)	9¾-9⅝	9⅝-9⅝	9¾-9⅝	9¾-9⅝	9⅝-9½	9⅝-9¼
Yen	5⅞-5¾	6⅛-5⅞	6⅛-6⅛	6¼-6⅛	6¼-6⅛	6⅜-6⅛
D. Krone	11-10⅞	12¼-12	11⅞-11⅞	11⅝-11½	11⅝-11½	11⅝-11⅛
Asian $Sing	8¾-8⅝	8¾-8⅝	8⅝-8½	8⅞-8⅞	8⅜-8¼	8¼-8⅛

Long term Eurodollars: two years 8½-8⅜ per cent; three years 8⅞-8⅞ per cent; four years 8⅝-8½ per cent; five years 8⅞-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice

EXCHANGE CROSS RATES

Oct.16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.575	2.938	223.5	9.983	2.575	3.318	2163	1.857	61.65
$	0.635	1	1.865	141.9	6.338	1.635	2.107	1373	1.179	39.14
DM	0.340	0.536	1	76.07	3.398	0.876	1.129	736.2	0.632	20.98
YEN	4.474	7.047	13.15	1000.	44.67	11.52	14.85	9678	8.309	275.8
F Fr.	1.002	1.578	2.943	223.9	10.	2.579	3.324	2167	1.860	61.75
S Fr.	0.388	0.612	1.141	86.80	3.877	1	1.289	840.0	0.721	23.94
H Fl.	0.301	0.475	0.885	67.36	3.009	0.776	1	661.9	0.560	18.58
Lira	0.462	0.728	1.358	103.3	4.615	1.190	1.534	1000.	0.859	28.50
C $	0.539	0.848	1.582	120.4	5.376	1.387	1.787	1165	1	33.20
B Fr.	1.622	2.555	4.766	362.5	16.19	4.177	5.382	3509	3.012	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
89	4-08	5-19	0-12	0-21
90	3-18	4-30	0-22	0-32
91	2-32	3-45	0-36	0-47
92	1-51	3-01	0-55	1-03
93	1-16	2-25	1-20	1-27
94	0-51	1-55	1-55	1-57
95	0-32	1-27	2-36	2-29

Estimated volume total, Calls 3652 Puts 3395
Previous day's open int. Calls 16435 Puts 10970

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
96	3-31	4-27	0-23	1-27
97	2-43	3-50	0-35	1-50
98	1-60	3-13	0-52	2-13
99	1-23	2-44	1-15	2-44
100	0-59	2-15	1-51	3-15
101	0-38	1-53	2-30	3-53
102	0-25	1-31	3-17	4-31

Estimated volume total, Calls 940 Puts 231
Previous day's open int. Calls 2373 Puts 1960

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9200	1.64	2.07	0.15	0.43
9250	1.24	1.72	0.25	0.58
9300	0.90	1.40	0.41	0.76
9350	0.61	1.16	0.62	1.02
9400	0.40	0.88	0.91	1.24
9450	0.25	0.68	1.26	1.54
9500	0.15	0.51	1.66	1.87

Estimated volume total, Calls 7034 Puts 2157
Previous day's open int. Calls 24931 Puts 21187

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Nov	Calls-settlements Dec	Puts-settlements Nov	Puts-settlements Dec
140	17.90	17.90	0.00	0.08
145	12.90	12.90	0.03	0.36
150	7.90	7.90	0.26	1.18
155	3.53	4.10	1.33	2.92
160	1.17	1.94	3.97	5.76
165	0.25	0.78	8.05	9.60
170	0.03	0.26	12.83	14.08

Estimated volume total, Calls 0 Puts 11
Previous day's open int. Calls 211 Puts 15

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9125	0.65	0.97	0.10	0.18
9150	0.47	0.78	0.17	0.24
9175	0.32	0.61	0.27	0.32
9200	0.20	0.47	0.40	0.43
9225	0.11	0.34	0.56	0.55
9250	0.06	0.24	0.76	0.70
9275	0.04	0.18	0.99	0.89

Estimated volume total, Calls 575 Puts 165
Previous day's open int. Calls 3124 Puts 2355

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
8550	0.50	1.35	0.28	0.26
8575	0.36	1.16	0.39	0.32
8600	0.25	0.98	0.53	0.39
8625	0.17	0.82	0.70	0.48
8650	0.12	0.66	0.90	0.57
8675	0.08	0.54	1.11	0.70
8700	0.05	0.44	1.33	0.85

Estimated volume total, Calls 14838 Puts 5413
Previous day's open int. Calls 51650 Puts 30226

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	99-14	100-23	99-06	98-17
Mar	99-10	101-04	99-03	98-14
Jun	99-03	99-05	98-31	98-08
Sep	98-28	99-20	98-28	98-00
Dec	98-20	99-11	98-18	97-25
Mar	98-09	98-09	98-09	97-18
Jun	-	-	-	97-11
Sep	-	-	-	-
Dec	-	-	-	96-30
Mar	-	-	-	96-24
Jun	-	-	-	-

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	93.22	93.50	93.18	92.92
Mar	93.44	93.60	93.40	93.27
Jun	93.50	93.53	93.42	93.21
Sep	-	-	-	93.13

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.6168	0.6207	0.6160	0.6043
Mar	0.6190	0.6210	0.6167	0.6048
Jun	-	-	-	0.6058
Sep	-	-	-	0.6108

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7114	0.7155	0.7107	0.7029
Mar	0.7150	0.7192	0.7150	0.7066
Jun	-	0.7210	-	0.7102

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.5406	0.5438	0.5396	0.5310
Mar	0.5400	0.5439	0.5400	0.5315
Jun	-	-	-	0.5320

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	91.86	92.04	91.80	91.58
Mar	92.07	92.25	92.02	91.94
Jun	92.00	92.15	91.99	91.96
Sep	91.89	92.00	91.86	91.85
Dec	91.65	91.90	91.65	91.62
Mar	91.64	91.73	91.64	91.61
Jun	91.59	91.68	91.59	91.56
Sep	91.54	91.62	91.54	91.52

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	325.00	329.00	323.85	328.85
Mar	331.00	332.00	328.35	351.35
Jun	-	-	-	360.15

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
1.500	7.82	7.98	8.00	8.20	0.41	1.19	1.70	2.95
1.525	5.69	6.01	6.11	6.48	0.85	1.90	2.42	3.95
1.550	3.89	4.40	4.53	4.97	1.57	2.75	3.47	5.16
1.575	2.45	3.08	3.29	3.83	2.51	3.97	4.78	6.59
1.600	1.56	2.10	2.32	2.85	3.99	5.49	6.32	8.17
1.625	0.88	1.46	1.68	2.09	5.77	7.22	8.06	9.90
1.650	0.45	0.93	1.13	1.61	7.80	9.15	9.97	11.76

Previous day's open int: Calls 483,619 Puts 367,659 (All currencies)
Previous day's volume: Calls 47,979 Puts 31,327 (All currencies)

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	92-30	94-20	92-24	92-30
Mar	93-31			93-31

Estimated volume 47017 (21506)
Previous day's open int. 33154 (32398)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec				
Mar				

Estimated volume 0 (0)
Previous day's open int. 0 (0)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	99-04	100-08	98-23	99-04
Mar	99-00			99-00
Jun				

Estimated volume 11653 (5590)
Previous day's open int. 6294 (6906)

6% NOTIONAL GERMAN GOVT. BOND
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	93.49	94.01	93.16	93.49
Mar	93.64	94.00	93.40	93.64
Jun	93.69		-	93.69

Estimated volume 70616 (55516)
Previous day's open int. 38115 (36568)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec	105.69	105.85	104.90	105.69
Mar	105.38	105.00	105.00	105.38

Estimated volume 751 (740)
Previous day's open int. 1040 (923)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	85.72	85.95	85.52	85.72
Mar	86.59	86.80	86.39	86.59
Jun	87.07	87.25	86.99	87.07
Sep	87.46	87.67	87.40	87.46

Est. Vol. (inc. figs. not shown) 100942 (55580)
Previous day's open int. 105349 (107018)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec	91.80	92.10	91.61	91.80
Mar	92.04	92.30	91.90	92.04
Jun	91.97	92.23	91.91	91.97
Sep	91.86	91.97	91.80	91.86

Est. Vol. (inc. figs. not shown) 31699 (11133)
Previous day's open int. 34840 (34400)

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Dec	92.11	92.30	92.00	92.11
Mar	92.35	92.50	92.26	92.35
Jun	92.53	92.60	92.50	92.53
Sep	92.62	92.65	92.65	92.62

Estimated volume 22764 (15755)
Previous day's open int. 23005 (21269)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2125.0	2150.0	2010.0	2125.0
Mar	2169.0			2169.0
Jun	2209.0			2209.5

Estimated volume 3781 (4678)
Previous day's open int. 26495 (26641)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5750	1.5662	1.5506	1.5285	1.4905

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.5652	1.5720	1.5616	1.5514
Mar	1.5400	1.5480	1.5390	1.5288
Jun	-	-	-	1.5074

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	May 90 Vol	May 90 Last	Stock
Gold C	$400	85	0.60	76	4.60	-	-	$366.60
Gold P	$380	97	14.50	47	13	4	15	$366.60
		Nov. 89		Dec. 89		Jan. 90		
EOE Index C	Fl. 300	198	7	41	8.50 b	78	11	Fl. 288.48
EOE Index C	Fl. 305	116	5	153	6.50 b	13	7.50	Fl. 288.48
EOE Index C	Fl. 310	13	3 b	50	3.50	129	5.50	Fl. 288.48
EOE Index P	Fl. 300	470	10.50	9	15 a	99	13	Fl. 288.48
EOE Index P	Fl. 305	266	16	44	16	106	17	Fl. 288.48
EOE Index P	Fl. 310	278	17	3	22 a	125	17	Fl. 288.48
EOE Index P	Fl. 320	10	26 b	113	26	30	28 a	Fl. 288.48
		Oct. 89		Nov. 89		Dec. 89		
$/Fl C	Fl. 205	5	4.50	511	6	35	7 b	Fl. 210.30
$/Fl C	Fl. 210	147	2	18	3.80	246	5	Fl. 210.30
$/Fl C	Fl. 215	715	0.40	86	1.60	104	2.80	Fl. 210.30
$/Fl P	Fl. 200	-	-	-	-	140	1.10	Fl. 210.30
$/Fl P	Fl. 205	100	0.80	211	2	363	2.50	Fl. 210.30
$/Fl P	Fl. 210	154	1.60	93	4.20	373	5.10 a	Fl. 210.30
$/Fl P	Fl. 215	94	5	73	7.50 a	50	8	Fl. 210.30
$/Fl P	Fl. 220	119	10.80 a	-	-	17	11.80	Fl. 210.30
		Oct. 89		Jan. 90		Apr. 90		
ABN C	Fl. 45	17	0.10	295	0.90	70	1.60	Fl. 40.50
ABN P	Fl. 40	401	0.70	525	1.50	349	2	Fl. 40.50
Aegon C	Fl. 105	393	2	156	6.70 a	1	7 b	Fl. 105.50
Aegon P	Fl. 105	216	1.30	401	4.50 a	-	-	Fl. 105.50
Ahold C	Fl. 140	-	-	348	2	6	4	Fl. 123.50
Ahold P	Fl. 130	175	6.50 b	35	9.50 a	20	9.50	Fl. 123.50
Akzo C	Fl. 140	230	0.30	754	3.50	89	6	Fl. 129
Akzo P	Fl. 140	698	11	485	12	1064	13.50 a	Fl. 129
Amev C	Fl. 60	24	0.30	388	1.30 b	-	-	Fl. 54.50
Amev P	Fl. 55	184	2.20 a	147	3.80	3	4.80 b	Fl. 54.50
Amro C	Fl. 90	1	0.10	150	1.30	-	-	Fl. 79.80
Amro P	Fl. 80	625	1	74	2.70	110	4	Fl. 79.80
BUHRMANN-T C	Fl. 70	209	0.40	63	2.20	12	3.50	Fl. 67.30
BUHRMANN-T P	Fl. 70	202	4 a	179	4.50 a	101	5 a	Fl. 67.30
DAF N.V. C	Fl. 60	16	0.10	86	0.50	5	1	Fl. 46.80
DAF N.V. P	Fl. 55	125	9 a	128	9.30 a	20	9.50 a	Fl. 46.80
N.V. DSM C	Fl. 130	-	-	377	1.70 a	35	3.50	Fl. 113.50
N.V. DSM P	Fl. 125	461	11.50	890	12	112	13.30	Fl. 113.50
Elsevier C	Fl. 80	32	0.40	207	3.20 a	21	4.30	Fl. 73.80
Elsevier P	Fl. 75	318	2	225	4.30 b	57	6	Fl. 73.80
Gist-Broc. C	Fl. 35	356	1 a	461	2.90	132	4	Fl. 33.90
Gist-Broc. P	Fl. 35	1197	1.50 a	217	3	59	3	Fl. 33.90
Heineken P	Fl. 130	389	6	78	7	19	9	Fl. 126.20
Hoogovens C	Fl. 90	179	0.30	482	4.70	49	6.50	Fl. 81.50
Hoogovens P	Fl. 90	1117	9	719	12 b	170	13	Fl. 81.50
KLM C	Fl. 50	301	0.60 a	1100	3	92	5	Fl. 47.50
KLM P	Fl. 50	987	2.20	432	3.50	92	3.50	Fl. 47.50
KNP C	Fl. 55	39	0.10	333	1.20	24	1.50 b	Fl. 47
KNP P	Fl. 55	685	8.50	139	8.50 a	22	8.80 a	Fl. 47
NEDLLOYD C	Fl. 86	226	4 a	274	8.50	-	-	Fl. 86.20
NEDLLOYD P	Fl. 80	639	1 a	48	2.10	3	4.50	Fl. 86.20
Nat.Ned. C	Fl. 75	-	-	524	1.30	49	2	Fl. 66.90
Nat.Ned. P	Fl. 65	754	1.50 a	87	3.20	427	3.70	Fl. 66.90
Philips C	Fl. 45	1985	1	2615	3.30	595	4.50	Fl. 44.40
Philips P	Fl. 40	4393	0.20	2130	2.40	90	3.70	Fl. 44.40
Royal Dutch C	Fl. 150	244	0.10	2012	2.60	361	5.50	Fl. 138.40
Royal Dutch P	Fl. 140	1512	3.10	1844	6.90	169	7.50	Fl. 138.40
Robeco P	Fl. 100	-	-	131	2.50	-	-	Fl. 107.30
Unilever C	Fl. 140	1136	7.20	308	12.50 a	46	15 b	Fl. 146
Unilever P	Fl. 150	1998	4	655	8.30	47	10.50	Fl. 146
Van Ommeren P	Fl. 35	448	2.60	62	3	100	3.50	Fl. 32.50

TOTAL VOLUME IN CONTRACTS : 171,694
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Nervous trading

REACTION OF wholesale money rates to falling prices on world stock markets was most noticeable in New York and London yesterday; Frankfurt and Tokyo took a rather more circumspect view.

In New York the Federal Reserve added temporary liquidity to the banking system, via $2bn of customer repurchase agreements, as the central bank attempted to measure the mood of Wall Street. The Fed may have feared that adding permanent reserves would increase the mood of nervousness.

In London three-month sterling interbank opened ⅛ point lower at 14⅞-14¾ per cent on the sharp fall in London share prices. Rates during the day changed with price movements on the stock exchange and in the value of sterling. Three-month money closed at 15-14⅞ per cent.

Short sterling was very active on Liffe, opening firm and closing around the middle of the day's range at 85.72, against 85.07 on Friday.

In Frankfurt call money was unchanged at 7.95 per cent as the domestic money market waited for guidance from the West German Bundesbank. The central bank is expected to set a securities repurchase agreement tender today, to replace DM21.9bn draining from the market tomorrow as two earlier pacts expire. Dealers said that the Bundesbank is likely to set the tender rate at an unchanged 7.3 per cent, because otherwise market rates will move higher.

In Tokyo the Bank of Japan made no attempt to calm a nervousmoney market. The central bank appeared to be adopting a neutral stance, waiting to see the effect of last week's rise in the Japanese discount rate.

The Bank of England initially forecast a London money market credit shortage of £700m, but revised this to £1,100m at noon and to £1,150m in the afternoon. Total help of £1,182m was provided. Before lunch the authorities bought £235m bills, by way of £42m bank bills in band 1 at 14⅞ per cent and £193m bank bills in band 2 at 14¾ per cent. In the afternoon £100m Treasury bills and £209m bank bills were bought in band 1, plus £298m bank bills in band 2, at similar rates.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £132m, with Exchequer transactions absorbing £930m, and bank balances below target £115m. These outweighed a fall in the note circulation adding £495m to liquidity.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.16) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	10
Fed.funds	8⅞
Fed.funds at intervention	8⅞

Treasury Bills and Bonds

One month	7.23	Three year	7.96
Two month	7.27	Four year	7.95
Three month	7.64	Five year	7.94
Six month	7.78	Seven year	7.97
One year	7.79	10-year	7.98
Two year	7.88	30-year	7.98

Oct.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	7.90-8.05	7.90-8.05	8.00-8.20	7.95-8.15	8.00
Paris	9⅜-9⅞	9⅞-10	9⅞-10	9⅞-10	9⅞-10	9.50
Zurich	6⅞-6⅞	7⅞-8	-	7⅞-8⅛	-	-
Amsterdam	8.00-8.25	8.28-8.38	-	8.25-8.35	-	-
Tokyo	5⅞-5⅞	6⅛-6⅞	-	6⅞-6⅛	-	-
Milan	12⅛-12⅞	12½-13	-	12⅞-13⅛	-	-
Brussels	5.65	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	9½-10	10⅞-10⅞	10⅛-10⅜	10⅞-10⅞	10½-10¾	-

LONDON MONEY RATES

Oct.16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	15	15	15⅛	14⅞	14¾
Interbank Bid	14	14⅞	14⅞	14⅞	14⅝	14⅝
Sterling CDs	-	-	14⅞	14⅞	14⅝	14⅝
Local Authority Deps.	14⅝	14¾	14⅞	14⅞	14⅝	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	14¾	14¾	14½	-	-
Company Deposits	-	-	14⅞	14⅞	14⅞	14⅝
Finance House Deposits	-	-	15	15	14⅞	14⅞
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	13¾	-
Fine Trade Bills (Buy)	-	-	15⅞	14⅞	14⅞	-
Dollar CDs	-	-	8.65	8.60	8.45	8.42
SDR Linked Dep Offer	-	-	8⅝	8⅝	8¾	8¾
SDR Linked Dep Bid	-	-	8⅜	8⅜	8½	8½
ECU Linked Dep Offer	-	-	10⅜	10⅜	10⅜	10⅜
ECU Linked Dep Bid	-	-	10¼	10¼	10¼	10¼

Treasury Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills: Average tender rate of discount 14.5687 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 29, 1989. Agreed rates for period October 25 to November 25, 1989, Scheme I: 14.82 p.c., Schemes II & III: 15.27 p.c. Reference rate for period Sept 1,1989 to Sept 29, 1989, Scheme IV&V: 14.018 p.c.Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from October 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25,1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm.	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh.	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

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SEMINARS

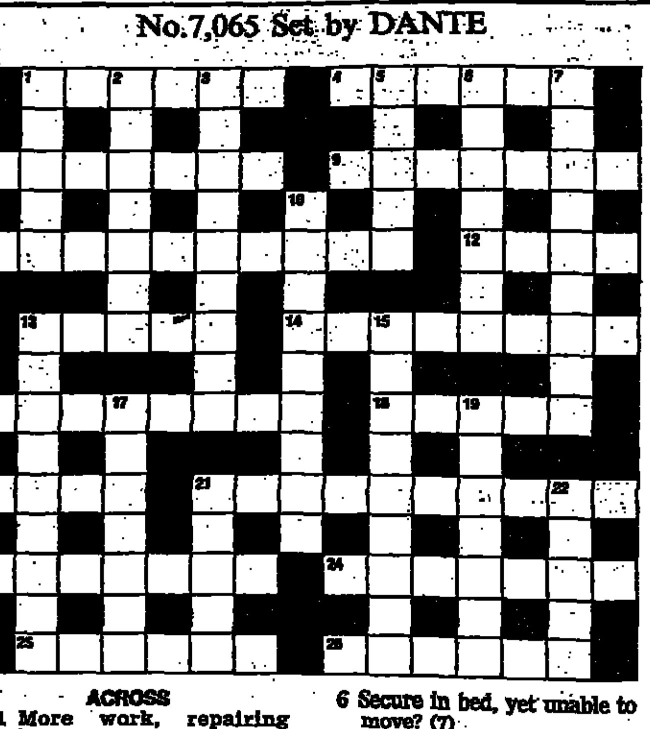
ART GALLERIES

CLUBS

JOTTER PAD

CROSSWORD

No.7,065 Set by DANTE



ACROSS

1 More work, repairing high-class patio (6)
4 A drink is maybe what the darts-player needs (6)
8 Not a professor of divinity, evidently (7)
9 Last retreat of the doubter (7)
11 Means to secure artistic work? (7,3)
12 One step up from the gutter (4)
13 It's about time (5)
14 See 13 down
16 Revolver engaged in making a machine work (8)
18 Fruit goes out of fashion (5)
20 Oxford banker (4)
21 The cold buffet is a great disappointment (6,4)
23 Bob is a hotel employee (4-3)
24 Vessel avoided by poor sailors? (7)
25 Musical lot (6)
26 Soldier returns to scene of mutiny and neglect (6)

DOWN

1 Be extremely vocal (5)
2 Writer in a row that develops into out-and-out conflict (4,3)
3 Immoderate neatness I find stupid (9)
5 A once wild area of the world (5)
6 Secure in bed, yet unable to move? (7)
7 Ash Wednesday is understandably the first of them (5,4)
10 Take a chance or just think about it (9)
13 and 14 across Entertainer who indulges in irritable exchanges? (5-4,8)
15 Irritating and demanding, perhaps (9)
17 They tighten nuts in cleaning machines (7)
19 There's no smoke without it! (7)
21 Went to pieces when penniless (5)
22 Overweight round-headed wild bees (5)

Solution to Puzzle No.7,064

B	R	I	G	H	T	S		D	I	S	E	A	S	E
A		N		E		I		R		C		D		Y
N	I	C	E	R		G	R	A	T	I	T	U	D	E
D		E		O		H		I		N		L		R
O	R	P	I	N	G	T	O	N		T	I	T	L	E
R		T				S				I				S
E	D	I	C	T		E	M	O	L	L	I	E	N	T
		O		H		E		V		L		X		
C	O	N	C	O	U	R	S	E		A	M	P	L	E
O				R				R				E		X
N	Y	L	O	N		E	S	T	A	M	I	N	E	T
T		O		T		X		H		O		S		E
A	S	P	I	R	A	T	O	R		U	N	I	O	N
C		E		E		R		O		N		V		D
T	E	S	S	E	R	A		W	I	T	H	E	R	S

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

CANADA

TORONTO
4pm prices October 16

[illegible]

600 Weldwood	$16¾	16¾	16¾	− ⅛
3542 Wst Fraser	$17⅛	17¼	17⅛	− ⅛
111106 Wcoast E	$20⅛	19¾	20⅛	
7299 Westmin	$9	8⅞	9	− ¼
10325 Weston	$42½	42	42½	− 1¼
108400 Woodwd A	210	75	210	− 20
13800 Xerox Can	$19¼	19	19¼	− ½

f−No voting rights or restricted voting rights.

MONTREAL
4pm prices October 16

8650 BombrdrA	$17	16	17	
210917 BombrdrB	$17	15¾	16⅞	
8800 CB Pak	$11	10¾	11	
17700 Cambior	$12⅞	12½	12¾	+ ⅛
58530 Cascades	$08½	08¼	08⅜	− ⅛
18837 DomTxtA	$16¼	15½	16	− ¼
1400 Donohue	$13	13	13	− ⅞
14978 Memotec	$10¾	10	10⅝	
356915 NatBk Cda	$13¼	12	12¾	+ ¼
26800 Noverco	$11⅛	11	11¼	− ⅛
160118 Power Corp	$15¾	14½	15¼	
35214 Provigo	$09¾	09½	09¾	
9350 Quebecor	$15	14¾	15	
41750 Videotron	$18¼	16¾	18⅝	+ ⅞

Total Sales 12,701,594 shares.

INDICES

NEW YORK

DOW JONES	Oct 16	Oct 13	Oct 12	Oct 11	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2657.38	2569.26	2759.84	2773.36	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.00	93.06	92.94	92.89	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1304.23	1406.29	1484.35	1484.53	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.73	211.96	219.25	219.08	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2667.42 (2773.36) Low 2496.93 (2545.49)

STANDARD AND POOR'S

	Oct 16	Oct 13	Oct 12	Oct 11	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	342.86	333.66	355.39	356.99	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials (latest)	391.33	379.66	407.40	407.40	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	33.17	32.45	34.67	34.88	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	189.76	185.56	196.98	197.81	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	376.41	378.45	395.01	395.68	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	460.98	467.29	482.19	482.16	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 13	Oct 6	Sep 29	year ago (approx.)
Dow Industrial Div. Yield	4.01	3.62	3.74	3.63
	Oct 11	**Oct 4**	**Sep 27**	**year ago (approx.)**
S & P industrial div. yield	2.82	2.82	2.90	3.19
S & P indl. P/E ratio	14.91	14.90	14.42	15.03

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Philip Morris	7,998,900	43¼	+ 2¼
Am T & T	7,785,900	43	+ 1½
IBM	5,362,900	103	+ 1
Amr Corp	4,749,100	76½	− 22⅛
Gen Electric	4,520,600	56½	+ 2⅛
Exxon	4,330,200	45¼	+ 1⅛
Bristol Myers	4,089,400	51⅞	+ 1½
Usx Corp	3,663,700	34¼	+ 1¼
Pacificorp	3,309,700	41	+ ½
Eastman Kodak	3,238,000	45	+ ½

TRADING ACTIVITY

† Volume (Millions)	Oct 16	Oct 13	Oct 12
New York	419.342	254.060	160.120
Amex	30.447	1.456	11.943
NASDAQ	(u)	167.705	130.964
Issues Traded	1994	1,972	1,947
Rises	766	140	535
Falls	942	1608	894
Unchanged	286	224	518
New Highs	4	20	49
New Lows	231	93	51

CANADA

TORONTO	Oct 16	Oct 13	Oct 12	Oct 11	1989 HIGH	1989 LOW
Metals & Minerals	3601.7	3478.3	3652.9	3662.2	3919.2 (1/9)	3207.5 (3/1)
Composite	3927.3	3870.8	4012.5	4008.5	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2012.26	1971.72	2051.44	2055.49	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 16	Oct. 13	Oct. 12	Oct. 11	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1600.7	1741.9	1730.4	1747.5	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	770.0	843.9	837.7	849.3	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/64)	470.01	503.49	501.02	515.09	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6567.96	6670.45	6719.83	6800.63	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	336.59	338.13	338.63	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	666.0	690.1	699.8	696.6	815.8 (18/4)	666.0 (16/10)
FRANCE						
CAC General (31/12/82)	523.5	553.2	547.9	561.6	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	115.4	125.7	126.1	127.5	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	592.8	672.53	677.41	678.61	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1731.0	2000.5	2014.8	2020.0	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1385.72	1589.28	1612.78	1604.05	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2601.70	2782.30	2793.45	2807.78	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1635.82	1762.90	1765.58	1763.77	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	(u)	691.93	696.09	695.73	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34468.69	35116.02	34795.34	35240.07	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2600.88	2646.54	2623.60	2650.51	2703.58 (2/10)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	249.5	264.6	265.8	268.0	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	191.9	203.4	204.3	206.1	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	605.86	677.36	666.75	671.60	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1212.21	1288.62	1264.57	(u)	1288.62 (13/10)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1285.04	1427.88	1431.85	1428.98	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1375.0‡	1523.0	1506.0	1488.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2349.0‡	2610.0	2622.0	2648.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	927.21	952.42	929.61	928.06	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	301.27	322.40	(c)	322.76	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4112.31	4445.86	4443.8	4437.28	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	806.4	807.9	807.8	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	9690.20	10272.33	10293.66	10287.08	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	661.45	705.60	700.17	697.29	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	524.7	533.4	535.8	551.2 (3/8)	487.6 (13/6)

**Saturday Oct.14: Taiwan Weighted Price: 10019.68. Korea Comp Ex. 934.41.
‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday October 16 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Gakken	18.7m	3,050	-190	Wakachiku Cnstr	8.2m	1,870	+40
Fuji Film	11.3m	5,350	-300	Tokyu Land	8.2m	1,500	+10
MHI	9.6m	1,050	+20	Sharp	8.1m	1,480	-110
Nissan Chem	9.3m	1,010	-10	Canon	7.6m	1,830	-110
Nippon Steel	9.0m	718	+8	Toyota	7.3m	2,850	-140

AMEX COMPOSITE PRICES
4pm prices October 16

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

4pm prices October 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37⅞	21¾	AAR	.44	1.3	21	705	34⅛	33	34⅛	+ ⅛
9⅞	8⅞	ACM n	1.01	11.		452	9⅛	8⅞	9⅛	
11⅝	10¼	ACMIn	1.28a	11.		409	11½	11⅜	11½	
10⅛	8	ACM M	n1.01	12.		387	8⅝	8⅜	8½	– ⅛
11½	10	ACM Sc	1.26	11.		1043	11⅜	11⅛	11¼	
9⅛	8⅛	ACMSp	1.01	12.		923	8⅞	8⅜	8¾	– ⅛
18	11⅝	AL Lab	.12	.8	16	332	15	14⅜	15	– ⅜
4⅛	3⅛	AMCA	.12e	3.4	29	56	3½	3⅜	3½	– ⅛
6⅛	4½	AM Intl			11	2202	5⅛	4⅞	5	– ⅛
23½	20⅝	AM In pf	2	9.2		86	22⅛	21⅞	21⅞	– ⅝
107¾	46½	AMR			9	47469	86⅛	74⅞	78½	– 22⅛
27	25	ANR pf	2.67	10.		1	25⅞	25⅞	25⅞	– ⅛
7⅜	3⅝	ARX				164	4	3⅞	3⅞	
46⅞	37¼	ASA	3a	6.7		2053	45½	44¼	45	
30¼	15¾	AVX	.24	.8	13	1429	28¾	27⅛	28¾	+ 1
68½	44⅞	AbtLab	1.40	2.2	18	10825	67½	62	65	+ 3½
16¾	13¾	AbitiBi g	1			99	13⅞	d13½	13⅞	+ ⅛
13	7½	AcmeC	.40	3.8		308	10½	10	10½	
9¾	5⅞	AcmeE	.32	3.8	10	65	8⅛	8⅜	8⅜	– ½
38½	20¼	Acuson			26	1030	35	32⅞	35	+ 1⅛
17	14⅛	AdaEx	1.82e	11.		854	16⅜	15⅝	16⅜	– ⅜
12⅝	6½	Adobe				321	12	11⅛	11¾	– ⅝
19⅝	16½	Adob pf	1.84	9.8		7	18⅞	18¾	18¾	
21⅞	19⅞	Adob pf	2.40	11.		84	21¼	20⅞	21¼	
10½	7⅛	AMD				5176	8⅜	7½	8⅛	+ ⅛
35	28¼	AMD pf	3	10.		228	30⅛	28⅞	30	
10⅛	6⅛	Advest	.12	1.5	14	413	8⅛	7⅞	8	– ½
60⅛	46	AetnLf	2.76	4.8	9	5184	57⅞	55½	57¼	+ 1¼
14	12⅛	AffilPb				5295	13	12⅞	13	– ⅛
25	15⅛	Ahmans	.88	3.8	11	4859	23⅛	22	23	
4⅛	2⅛	Aileen				449	3	2½	2⅝	– ⅜
46⅞	37⅛	AirPrd	1.32	2.9	11	2117	44⅞	43⅞	44⅞	– ⅜
[illegible]										

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- X-Y-Z -								
69	53⅞	Xerox	3	4.8	17	4023	63⅛	60¼	63⅛	+ ⅝
48¾	44½	Xerox pf4.13		8.8		4	47	46⅝	47	+ ½
44¼	26	XTRA	.72	2.8	8	405	25¼	d25¼	26	
33	23⅜	XTRA pf1.94		8.4		9	23½	d22½	23	- ¾
4¼	2	Zapata				678	2⅝	2¼	2½	- ⅛
15½	9½	Zemex	.40	4.1		5	9⅞	9⅞	9⅞	+ ⅛
21¾	14	ZenithE				4118	14⅛	d13	13	-1⅛
10⅞	7⅝	ZenInc	1.26	16.		686	8	d 7¼	8	+ ⅛
2½	⅜	vjZenLb				2361	⅜	9-16	⅜	
21½	15	ZenNtl	.84	4.5	8	121	18⅝	18½	18⅝	+ ⅛
18½	12¼	Zero s	.40	2.4	18	572	16⅝	16	16½	- ½
44¼	25¼	Zurnin	.68	1.8	19	743	39	37¼	38¾	-1
12⅞	10	Zweig	1.12e	10.		2195	11⅛	11	11¼	- ¼
10⅛	8¾	ZweigTl	.96	10.		2886	9⅝	9⅜	9½	- ¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the *new* stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

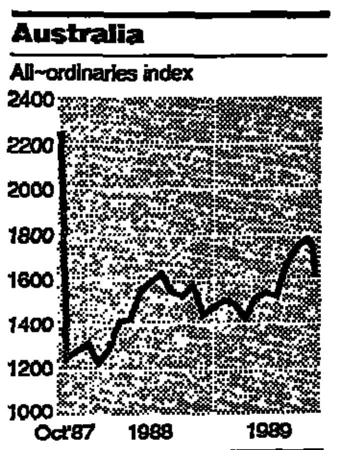
a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 *months*.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock *dividend*. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-*dividend declared* or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low *range* begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or *paid* in preceding 12 months,plus stock *dividend*. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading *halted*. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with *warrants*. *x-ex-dividend or ex-rights. xdis-ex-distribution.* xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales *in full*.

NASDAQ NATIONAL MARKET

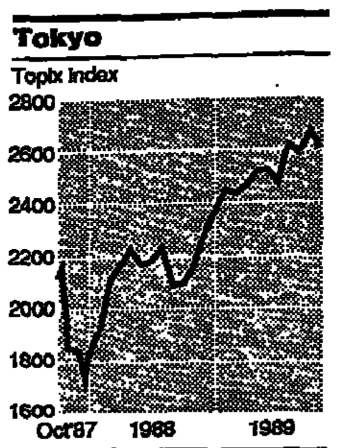
3pm prices October 16

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

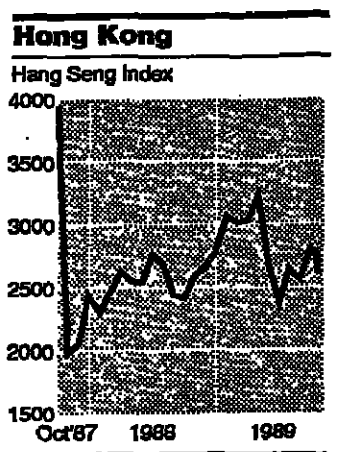
Australia All-ordinaries index



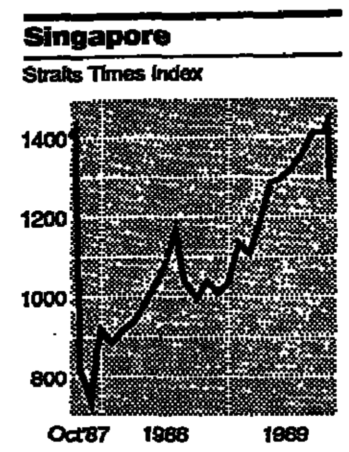
Tokyo Topix index



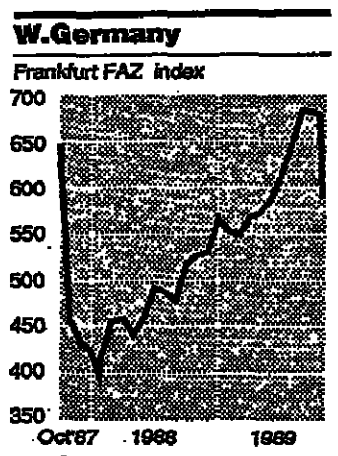
Hong Kong Hang Seng index



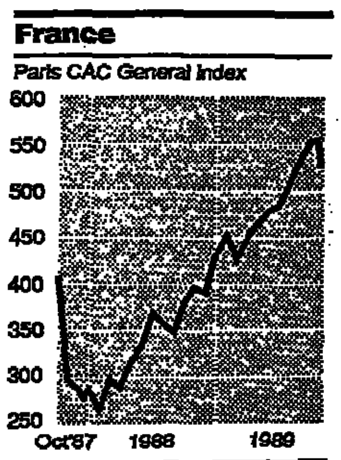
Singapore Straits Times index



W.Germany Frankfurt FAZ index

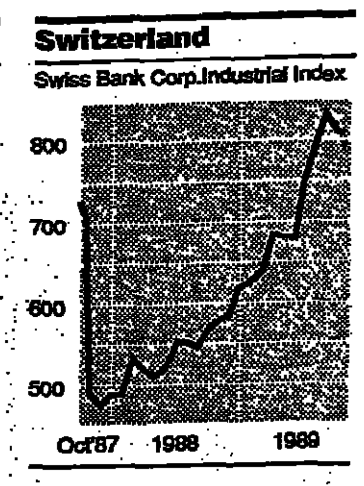


France Paris CAC General index



Italy Milan Banca Commerciale Italiana

Switzerland Swiss Bank Corp.Industrial index



AMERICA

Crash fears eased as Dow rebounds

Wall Street

AFTER a widely anticipated slump at the opening yesterday, the Dow Jones Industrial Average rebounded, erasing fears that the Crash of 1987 was about to be repeated, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 88.12 points higher at 2,657.38, a little short of half Friday's 190.58 point loss. Volume on the New York Stock Exchange was exceedingly heavy with 419m shares traded. Volume has rarely topped 200m in the two years since Black Monday.

The Dow Jones Transportation Average, by contrast, closed 102.06 points lower at 1,304.23, hit very hard when trading resumed in airline stocks which had been halted for most of Friday's session.

UAL reopened in mid-morning and closed $56¾ lower at $223. AMR, which had been boosted recently by the $120 a share offer by Mr Donald Trump, the New York real estate developer, was quoted $21⅝ lower at $76⅝. The stock was further undermined yesterday when Mr Trump withdrew his offer. Delta Airlines added $⅛ to $69⅞.

The Dow Jones Industrial Average put in a healthier performance than other key indices. On the over-the-counter market, the Nasdaq Composite Index fell 6.31 points to 460.98 as secondary stocks came under pressure. The American Stock Exchange Index also fell but closed above its lows, 2.04 points lower at 376.41.

The weakness in secondary markets came as investors caught up with Friday's 7.2 per cent fall in the Dow Jones Industrial Average.

Early weakness in large capitalisation stocks making up the Standard & Poor's 500 index and the Dow Jones Industrial Average was expected. The selling was anticipated partly because so many stocks had been halted at the close on Friday, preventing sell orders being executed until yesterday, and partly because S & P 500 futures contracts traded on the Chicago Mercantile Exchange had closed at a discount to the cash market.

This meant that traders would buy futures yesterday morning and sell the underlying component stocks in the cash market. Once this arbitrage had been completed, the relationship between cash and futures reversed. Once the futures hit premiums to the cash market, the futures were sold and cash stocks bought.

The weekly market review will appear in a later issue

The very high volume generated yesterday suggested that there was extremely active two-way trading taking place. A number of Wall Street securities houses yesterday recommended clients to raise the equity component of their portfolios, among them Goldman Sachs, Paine Webber and Merrill Lynch.

So-called deal stocks, which have been boosted by takeover offers or rumours of bids, continued to be sold heavily yesterday but, even among these issues, there was noticeable selectivity.

Hilton Hotels, for example, which fell heavily on Friday, rebounded $8½ to $94¼ and Holiday Corp added $1⅞ to $71⅞. Campbell Soup, another stock hit badly on Friday, was up $3⅛ at $46¼, and F.W. Woolworth added $⅝ to $60⅛.

Among yesterday's winners were very large, highly liquid stocks of companies with proven earning power which tends to defy down cycles in the economy. Philip Morris, for example, added $2⅝ to $43⅛ and Procter & Gamble added $4¼ to $124.

J.P. Morgan added $1 to $44⅝. The bank, as expected, announced a huge net loss in the third quarter due to a $2.045bn loan loss provision against all medium and long-term loans.

Canada

FOLLOWING the pattern of New York, with the market tumbling precipitously in early trading on the strength of sell orders placed over the weekend Toronto soon recovered and went on to register strong gains, writes *David Owen in Toronto.*

By 4.15 pm, the benchmark TSE-300 index was up 56.6 or nearly 1.5 per cent at 3,927.3 on exceptionally heavy volume of 47m shares.

This represented a stunning turnaround. In the first 30 minutes of trading, the index had fallen more than 100 points, adding to Friday's loss of 142 or about 3.5 per cent.

Among sub-indices at 3 pm, metals & minerals was up 94.32 at 3,560.07, while financial services rose 25.49 to 2883.76. Oil & gas declined by 14.64 to 4383.89. Among blue-chips, Canadian Pacific was up C$¼ at C$25½, while Canadian Imperial Bank of Commerce was up C$1 at C$30⅞.

EUROPE

Behaviour patterns alter in anticipation of events

WAITING for Wall Street led Continental bourses into uncharacteristic behaviour yesterday.

FRANKFURT took a battering, with dealers describing the collapse as the worst in the country's post-war history. The DAX index lost 13 per cent to finish at 1,385.7. It had been up 20 per cent this year. The FAZ fell by 13 per cent to 582.8, *writes Andrew Fisher.*

The losses were much larger than expected. Some economists and analysts felt there was no real justification for a collapse in German prices, as the economy was performing strongly and earnings were set for further gains next year. This was reflected in significant recoveries in some share prices in after-hours trading.

But on a day when markets were shocked by events across the Atlantic, investment fundamentals were swept rudely aside. Trading was extended by 75 minutes to accommodate selling pressure, which initially came mainly from private investors.

Leading stocks to suffer steep falls included Daimler-Benz (down by DM111, or 14.5 per cent, to DM650 although it rose to DM693 in after-hours trading).

Mr Walter Seipp, chief executive of Commerzbank (down DM34.50, or 12 per cent, to DM231.50), tried to calm investors, arguing that the Wall Street collapse was due to US developments alone. European markets should not slump in Wall Street's wake, he said, and there was no reason for hasty selling.

PARIS fell sharply at the opening, and most main shares were suspended limit down within a few minutes of the start. Most dealers, however, were waiting for the US market, *writes George Graham.*

The large number of suspended stocks meant that the CAC 40 index could not be calculated. The CAC 40 future, however, swung down as far as 1,715, from 1,931 at Friday's close. After falling sharply from 1,803 to 1,780 around 4 pm, the index then recovered, closing at 1,818.

The CAC General index, calculated only once a day, showed a drop of 5.4 per cent to 523.5.

Volumes picked up in the afternoon, with very heavy trading in some special situation stocks. Traders estimated that overall turnover could well top FFr4bn, making it one of the heaviest days of the year.

Nearly 400,000 shares of Navigation Mixte changed hands, with the price ending only 2 per cent lower at FFr1,611. La Mixte's strength reinforced speculation of a bid in preparation.

Brokers warned that the French market had already begun to look expensive on some measures, noting that the CAC 40 stock index future on Friday was already being sold short.

A broker warned: "Paris has come up steadily for 21 months in a very narrow corridor, but any further fall tomorrow would push the index through the floor of that corridor. It is very important that the market bounces tomorrow if confidence is to be restored."

MILAN was sent into a tailspin from the very start of trading. The MIB index was down 7.8 per cent inside the first hour, despite soothing statements over the weekend from market analysts and government Ministers as well as technical interventions from the Consob, which regulates the Italian stock exchanges, *writes John Wyles in Rome.*

With small investors apparently leading the charge, the downward pressure on prices forced the early suspension of trading in several key stocks, notably Fiat and Pirelli, which were joined later in the day by Generali, Italy's largest insurer.

The much delayed fixing of closing prices was encouraged by signs of a recovery on Wall Street, but not in time to save Fiat ordinary shares from a 7.2 per cent fall to L10,801. After around two-thirds of listed stocks had been called, the MIB had registered a 7.6 per cent drop to 1078.3.

Market insiders called the wave of selling "irrational" but gave the Consob credit for minimising speculative selling by forbidding off-floor trading before the market opened.

ZURICH ended sharply lower in spite of slight gains in afternoon trading. The Swiss Performance Index (SPI) lost 10 per cent over the day, falling to 1,070 from Friday's close of 1,185.1, while the 24-share Swiss Market Index (SMI) declined by 10.5 per cent to 1,622.9, *writes John Wicks.*

A spokesman for the Zurich stock exchange said trading had been "hectic but not dramatic." Volumes were well below those which followed the Black Monday crash of 1987, he added.

Bankers reported large-scale selling by foreign interests, as well as considerable divestments by Swiss private investors. Swiss institutions, however, are said to have been cautious in their selling and appear to have bought some shares at bargain prices in afternoon trading.

MADRID fell by 17.07, or 5.3 per cent to 305.22 in widespread selling, *writes Tom Burns.*

Dealers said that selling was particularly strong in the banking sector and in Telefonica, the national communications company. These account for the greater part of the market's trading volume. Shares also dropped sharply in the construction sector which has been the most bullish in recent months.

Summing up market sentiments as Madrid closed, Professor Pedro Schwartz, the chief analysts of brokers Iberagentes, said: "If New York doesn't rally, we're going to have a very black Tuesday."

STOCKHOLM fell more than most analysts had expected, with a drop of 7.5 per cent in the Veckans Affärer index to 1,486.5 from 1,606.1 in heavy turnover worth SKr642m, *writes Robert Taylor.* The decline was greater than that recorded on October 19, 1987.

All the big Swedish companies suffered losses, in particular Ericsson and Volvo, whose shares are traded in New York and London.

VIENNA dropped 7.5 per cent to 496.99 on the bourse index, after climbing 115 per cent between January to October, *writes Judy Dempsey.* Shares are not permitted to rise or fall more than 10 per cent in a single trading day. Institutional investors from France, West Germany and the UK were also buying blue chips yesterday morning.

AMSTERDAM had an hour's extension to trading as share prices bottomed out after Wall Street's early recovery. Shares had fallen by as much as 12 per cent and the turnround on Wall Street was greeted with roars of approval from Dutch traders. At the close, the CBS tendency index was down 13.4 at 179.4, a loss of 7 per cent on the day.

Trading was very heavy, causing some delays in the quotation system. One of the heaviest falls was in Fokker, which plunged 33.5 per cent to Fl 31 on its first trade amid fears that the financing problems hitting the US airline industry would affect the Dutch aircraft maker.

BRUSSELS saw the start of trading delayed as the market's computer system overheated on an overflow of selling orders and cancellations. Pre-bourse trading had taken share prices down between 5 to 10 per cent.

However, only a little of the threat was translated into reality. Computer trading was eventually delayed until today and the cash market index only shed 102.49, or 1.5 per cent to 6,567.96 at yesterday's close.

HELSINKI fell only 3.5 per cent, the Unitas all-share index shedding 24.1 points at 666.0 in turnover of FM98.3m. However, share prices had been falling since the end of August on concern about Finland's overheating economy and high interest rates – until last week, when there were signs of a recovery.

OSLO dropped 5.3 per cent at the start of trading, then doubled it with the all-share index down 10.7 per cent, or 56.02 to 467.51 at the close.

The engineering company, Aker, was one of the hardest hit, dropping NKr19, or 17 per cent to NKr96.

ASIA PACIFIC

Nikkei keeps its losses to 1.8 per cent

Tokyo

THE COLLAPSE in the US on Friday reverberated in Tokyo where share prices suffered their biggest setback of the year, *writes Michiyo Nakamoto in Tokyo.* However, the fall was smaller than elsewhere and happened in thin volume.

The Nikkei average opened 40.40 points lower and fell a total of 647.33, or 1.8 per cent, to close at 34,468.69, against a high of 35,075.62 and a low of 34,460.87.

The Topix index of all listed shares lost 1.7 per cent to 2,600.88, after a 1.4 per cent fall only last Thursday. In London, the ISE/Nikkei 50 index was off 71.57 points at 1,970.93.

The dominant mood in the market yesterday, however, was one of caution, rather than panic. Volume was down again at 526m shares, against 575m on Friday, indicating that investors were willing to wait until they could determine whether the downturn in the US was more than a short-term correction.

There were repeated assurances over the weekend in Tokyo that the fall in the US did not reflect global economic fundamentals. The financial authorities also emphasised the favourable impact of the stronger yen on the domestic economy as well as the world's economic balance.

Mr Ryutaro Hashimoto, the Finance Minister, summed up the general market view when he said that Japanese share prices were not likely to suffer a drastic fall: Japanese businesses were still doing well, and the stronger yen and prospects of lower interest rates would help market sentiment.

The overwhelming reaction was to take profits where they could be had and wait for New York to give further direction. Market participants took yesterday's losses more or less in their stride. "This was really a fairly reasonable reaction," said Mr Rupert Caldecott at Schroder Securities.

Although there were some points at which the market looked fairly vulnerable, a round of selling in the morning was later replaced by subdued activity as investors opted to wait and see how New York would follow up its performance on Friday. "It's all eyes West," said Mr Caldecott.

Hopes for the yen and interest rates gave the market significant support, and actually brought buying into some sectors. The big steels and shipbuildings, sensitive to interest rates, had fallen substantially; but they gained yesterday as Mitsubishi Heavy Industries, third in volume with 9.6m shares, rose Y20 to Y1,050 and Nippon Steel, also actively traded, advanced Y8 to Y718.

The gains were decidely in the minority, at 105 against 941 losses, with 79 unchanged.

Previous favourites, shares with special characteristics, were hit by profit-taking. Among these, Sony, which had risen on its market leadership and profit record, dropped 5.6 per cent to Y8,910.

High-tech issues came in for similar treatment. Fuji Film, second on the most actives list, lost 5.3 per cent to Y5,350 while Canon shed 5.7 per cent to Y1,830.

Next came small companies which had risen on the strength of their good records, and their share price volatility. Gakken, a publisher popular for its extensive sales network, topped the volumes list with 18.7m shares and lost 5.9 per cent to Y3,050.

High-priced issues led the fall in Osaka as investors took profits where they could. The OSE average suffered its biggest decline for the year – 1.9 per cent to 35,393.54. Turnover was a meagre 35.5m shares, just over one-half of the 69.7m traded on Friday.

Roundup

THE SHARE price reaction was negative all round in leading Asia Pacific markets, but light trading volume in Australia and New Zealand contrasted with heavy selling in Hong Kong and Singapore.

AUSTRALIA saw about A$14bn wiped off the value of Australian shares yesterday when the stock market fell 8 per cent to suffer its biggest one-day fall since the October 1987 crash, *writes Chris Sherwell in Sydney.*

The widely-watched All Ordinaries index finished at 1,600.5, down 141.4 points – above the day's low point of 1,591, but below the best level of 1,617.

Wall Street shock waves hit trading in Hong Kong

The plunge came in the first half-hour of trading, and dealers said it was driven more by private investors and by broking firms with long positions than by institutions. Trading volumes were relatively low.

"The tone of the market was fairly calm," said one. "There was no panic selling, and domestic institutions, if anything, were buyers."

Another said: "The volumes were nowhere near those of two years ago. People are now waiting to see what happens later in New York."

After Friday's New York fall, opening bids in Australia yesterday were up to 10 per cent below last week's close. But there was negligible selling, and shares were duly bid up. Although they failed to hold their best levels, they finished off the bottom.

On the Sydney futures exchange, the December 1989 share price index contract finished at 1,597, a three-point discount to the physical market. It had reached a high of 1,645.

The biggest overall losses on the share market were seen in the indices for entrepreneurial stocks (down 13.3 per cent), media stocks (down 12.9 per cent) and gold shares (down 11.9 per cent).

The largest single fall was suffered by Mr Rupert Murdoch's News Corporation, which slithered A$2 to A$13. The price has fallen A$3.45 since Mr Murdoch warned last week that earnings would "not show their customary increase" in the current year.

Also notably weaker were Mr Alan Bond's Bond Corporation, down 6 cents at 26 cents, and Mr Christopher Skase's Qintex media and resorts group, down 5 cents at 40 cents. Industrial Equity, currently subject to a management-led buy-out, slipped 24 cents to A$2.01.

NEW ZEALAND saw the Barclays index down an estimated 239, or 10.7 per cent to about 2,010 after an hour, but it closed better than that at 2,058.72, down 8.5 per cent.

It has seen worse. The biggest recorded fall in the Barclays index was 504.75 on October 20, 1987 when the market lost 14.7 per cent of its value.

Turnover was light, standing still in terms of value at NZ$25.1m. Share turnover rose from 9.5m to 11.7m shares.

HONG KONG fended off most of the international pressures and closed with the local Hang Seng index falling 6.5 per cent to 2,601.70 from Friday's close of 2,782.3. It opened yesterday at 2,731.06, *writes John Elliott in Hong Kong.*

Trading volume was the heaviest since the market's China-related plunge in June, reaching HK$2.24bn. Property shares were worst hit, falling by more than 7 per cent, while utilities went down by only about 5 per cent.

There are growing worries about China's treatment of Hong Kong, and confidence is always fragile. So there was considerable concern among local analysts last night about how the market will react if there is heavy international pressure again today.

Shortly after the opening yesterday, the index fell to 2,619 on heavy local retail selling. After half an hour it rallied, with some local buying, to 2,660, which was around the support level forecast by analysts. But it began to fall away again and closed for lunch at 2,636. In the afternoon it was pulled down by European and US institutional selling to its day's low point of 2,595, finally rallying back to 2,601.70.

"There was certainly no panic here," said Mr John Mulcahy of Peregrine Brokerage. "I think we can now go down to 2,450 as a support level and still be in good shape because that was the level for a significant rally in June."

After Hong Kong's regional crash in May and June, when shares fell 36 per cent, the market is now seen as under-valued. The view yesterday was that the potential international crisis was a US affair.

It was problems on the Hong Kong Futures Exchange which pulled the Hong Kong stock market into its 1987 closure. October Hang Seng futures fell further yesterday than the main index, losing 204 points or 7.35 per cent to 2,571. Trading in the index futures was the heaviest since early June with a total of 2,767 lots traded during the day against last week's daily average of 995.25.

SINGAPORE saw heavy trading as the Straits Times industrial index fell 142.84, or 10 per cent, to 1,285.04 after opening only 7.96 lower at 1,419.92. Selling was heavy from the opening bell, with the only respite coming near the close of trading, when speculative players who had been shorting the market were forced to cover their positions.

Turnover was 212m shares worth S$409m, the largest volume traded in a single day since the crash two years ago; average daily turnover ranges from 90m to 100m shares.

KUALA LUMPUR fell even faster. The KLSE composite index closed 59.30 lower, or 11.5 per cent, to 455.79.

Seoul ignores the world-wide jitters

SEOUL relived earlier glories as it opened on Saturday, ignored New York, and took the composite index up 1.99 to 934.41. It did something similar immediately after the crash two years ago, although it bears noting that South Korea is still closed to foreign investors.

Yesterday it fell 7.20, still less than 1 per cent, to 927.21. Trading was slow as 6.4m shares worth 148bn won changed hands, compared with 7.7m and 174bn in Saturday's half-day session.

TAIWAN was also open on Saturday, but it fell 252.65 then, and another 329.48 yesterday to close at 9,690.20, for a 5.7 per cent drop over the two sessions.

Volume totalled about 822.7m shares valued at NT$115.4bn compared with Saturday's 794m and NT$112bn. For a notoriously volatile market, yesterday was a relatively measured response to the New York slide. Big investors were said to be waiting on the sidelines for any prospect of recovery.

MANILA had a bad time at the opening, and until mid-morning when the composite stock index was off 7.25 per cent from Friday's close of 1,288.62. It recovered later to close 76.41, or 5.9 per cent, lower at 1,212.21.

The newly-listed Robinson Land, a real estate company which started trading yesterday, was the only gainer, closing up 2.19 pesos at 8 pesos per share, from an offering price of 5.81 pesos.

BANGKOK plunged across the board at the opening, prices falling by about 10 per cent in all sectors – the maximum allowed by the Stock Exchange of Thailand – apart from cements, and Padaeng Industry, which investors were reluctant to dump.

Later estimates showed a recovery, however, with the Thailand index down 44.19, or 6.25 per cent, to 661.41. The market seemed to be hoping for recovery in New York as an excuse to stage a rebound today.

ISTANBUL suffered a 6 per cent fall in the index to 1,698 but the decline was attributed more to profit-taking after a bull run than to jitters about the world-wide slide in share prices, *writes Jim Bodgener in Ankara.*

JOHANNESBURG traders, nervous as ever, marked shares down sharply across at the market's opening yesterday, but restored prices late in the morning when it became plain there would be no deluge of selling orders, *writes Jim Jones in Johannesburg.*

Worst hit was the diamond sector which registered a 9.6 per cent drop in the index to 8,920 by mid-afternoon and mining financials, which were almost 10 per cent down.

The rise in the price of gold to $367 an ounce helped limit the fall in the all-gold index to 1,400 by mid-afternoon, a drop of 8.1 per cent from Friday's close.

The industrial share index registered the same percentage fall, which caused concern over the privatisation of state-owned steelmaker Iscor.

Iscor's shares are to be listed on November 8 and are being offered to the public at R2 each.

One analyst believed Iscor shares would trade at no more than R2.50 in present markets. He warned that the Government's plans to privatise other state industries could be stymied if the shares trade below their offer price in November.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 16 1989						FRIDAY OCTOBER 13 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	140.89	−8.7	132.62	123.41	−7.6	5.35	154.37	146.33	133.58	160.41	128.28	144.96
Austria (19)	161.26	−6.2	151.80	156.26	−7.9	1.57	171.87	162.92	169.65	172.22	92.84	93.02
Belgium (63)	142.10	−0.2	133.76	137.72	−1.5	4.02	142.31	134.91	139.86	144.47	125.58	126.94
Canada (122)	149.82	+1.0	141.03	127.69	+1.2	3.21	148.31	140.59	126.13	154.17	124.67	123.42
Denmark (36)	194.15	−3.4	182.76	191.45	−5.2	1.66	201.02	190.56	202.04	219.89	165.35	139.20
Finland (26)	123.83	−2.5	116.56	111.20	−3.6	2.49	127.00	120.39	115.33	169.16	123.12	117.28
France (126)	130.65	−5.1	122.99	129.89	−6.2	2.90	137.64	130.48	138.51	139.94	112.57	101.47
West Germany (97)	89.02	−11.9	83.80	86.31	−13.1	2.38	101.06	95.80	99.35	103.84	79.58	83.53
Hong Kong (48)	109.17	−6.9	102.76	109.48	−6.9	5.16	117.28	111.17	117.59	140.33	86.41	106.31
Ireland (17)	146.86	−8.1	138.24	145.01	−9.7	3.05	159.84	151.52	160.53	166.69	125.00	139.50
Italy (97)	88.32	−3.7	83.13	90.57	−4.8	2.52	91.74	86.97	95.10	96.73	74.97	81.03
Japan (455)	180.99	−0.6	170.37	162.28	−1.5	0.49	182.00	172.53	164.80	200.11	164.22	168.44
Malaysia (36)	187.34	−10.5	176.34	194.15	−10.7	2.73	209.22	198.33	217.36	209.22	143.35	133.64
Mexico (13)	323.66	−0.9	304.67	922.55	−0.8	0.56	326.61	309.61	930.23	326.61	153.32	150.97
Netherland (43)	122.09	−5.4	114.92	117.35	−6.5	4.52	128.99	122.27	125.57	131.72	110.63	107.56
New Zealand (19)	72.92	−9.2	68.64	66.27	−9.3	5.33	80.32	76.14	73.04	88.18	62.64	72.94
Norway (24)	163.07	−9.8	153.50	153.66	−10.9	1.69	180.71	171.30	172.49	198.39	139.92	116.39
Singapore (26)	153.14	−8.6	144.16	137.72	−9.4	2.14	167.57	158.85	152.09	170.62	124.57	117.34
South Africa (60)	135.33	−10.8	127.39	114.22	−11.2	4.99	151.75	143.85	128.57	160.24	115.35	109.72
Spain (43)	154.95	−5.1	145.86	139.46	−6.2	3.75	163.21	154.72	148.68	169.75	143.14	146.27
Sweden (35)	170.66	−6.7	160.65	163.08	−7.6	2.10	182.88	173.36	176.58	188.94	138.45	127.93
Switzerland (64)	82.12	−8.6	77.31	83.24	−10.1	2.27	89.86	85.18	92.58	94.16	67.81	81.11
United Kingdom (306)	138.67	−3.0	130.53	130.53	−3.7	4.65	142.92	135.48	135.48	158.41	133.28	135.78
USA (547)	139.22	+2.5	131.05	139.22	+2.5	3.32	135.80	128.73	135.80	146.29	112.13	112.82
Europe (996)	120.55	−5.3	113.47	115.60	−6.3	3.63	127.26	120.63	123.33	132.95	112.63	111.11
Nordic (121)	159.25	−5.5	149.90	147.82	−6.9	1.92	168.60	159.83	158.69	178.38	137.95	119.86
Pacific Basin (669)	176.67	−1.0	166.30	158.67	−1.9	0.74	178.50	169.21	161.75	194.72	160.44	164.94
Euro – Pacific (1665)	154.30	−2.4	145.24	141.43	−3.3	1.66	158.11	149.88	146.30	166.98	141.58	143.44
North America (669)	139.75	+2.4	131.55	138.50	+2.4	3.31	136.45	129.35	135.21	146.66	112.79	113.38
Europe Ex. UK (690)	108.62	−6.8	102.25	106.38	−8.0	2.91	116.59	110.52	115.69	118.51	98.30	95.69
Pacific Ex. Japan (214)	124.90	−8.3	117.57	113.78	−7.8	4.96	136.21	129.12	123.35	140.05	111.93	122.88
World Ex. US (1860)	154.06	−2.4	145.02	140.96	−3.3	1.74	157.82	149.60	145.70	166.35	141.49	142.41
World Ex. UK (2101)	148.62	−0.6	139.90	141.28	−1.2	2.04	149.53	141.75	142.98	158.04	136.98	130.49
World Ex. So. Af. (2347)	147.79	−0.8	139.11	140.43	−1.4	2.24	148.91	141.16	142.35	155.92	136.67	131.07
World Ex. Japan (1952)	132.02	−1.0	124.27	129.10	−1.3	3.50	133.35	126.41	130.84	140.43	114.51	112.98
The World Index (2407)	147.71	−0.8	139.04	140.24	−1.4	2.26	148.92	141.17	142.25	155.89	136.68	130.94

Belgian prices were not fully updated for this edition due to technical problems at the Brussels exchange.